

OUR VALUES

- People are our key differentiator
- We have a passion to win
- We will always have a positive approach
- We drive entrepreneurial courage
- We seek continuous improvement and innovation
- We strive to exceed customer and consumer expectations
- We will measure quality in everything we do
- Integrity and honesty are non-negotiable
- We are committed to ensuring high standards of corporate governance
- We respect our environment and support our broader community
- We are Proudly South African and internationally competitive

Our values are fundamental to support sustainable economic success and also to promote the growth of our people and positively impact anyone who comes into contact with our organisation



AVI LIMITED | annual report 2005



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PROFILE

AVI is a consumer products group focussing on food and semi-durable brands.

PURPOSE

We provide enjoyment to people through the supply of branded, added-value products.

- **Restructuring of the Group completed – portfolio of assets aligned to the strategy of being a branded consumer products group**
- **Strong performance from continuing operations:**
 - **Turnover** ↑ 9% to R4,8 billion following continued strong consumer demand and the impact of acquisitions made during the year
 - **Operating profit** ↑ 16% to R469 million, while margins increased from 9,3% to 9,8% on the back of continued focus on cost management and the positive impact of Rand strength on raw and wrap costs across the Group
 - Strong cash generation resulted in **cash generated from operations** ↑ 27% to R679 million largely as a result of the improvement in operating performance
 - Continued investment in our business with **capital expenditure** exceeding R200 million for the year
 - **Dividend payout ratio** increased to 50% of headline earnings
- **Conversion to International Financial Reporting Standards ahead of deadline prescribed by the JSE**

Innovation – the successful exploitation of new ideas incorporating new product development, technologies, design and best practice – is a key driver of growth within the Group.

The challenge for the Group has been to bring to the market a stream of new and improved added-value products. This has been particularly necessary against the backdrop of the highly competitive environment in which we operate. Innovation in the year has included improved internal processes to reduce costs and enhance efficiencies, the introduction of new products and brands and the development of existing brands towards higher levels of functionality and desirability in the minds of our consumers.

Our innovation measurement mechanisms have tended to focus on product development and in this regard our target has been to achieve 15% of turnover from new products launched within the past three years. In the year under review 18% of turnover was generated by new products.

In 2005, the ingenuity of our people both in terms of innovative ideas and in building operational capacity to support the innovation pipeline was visible. Product innovation was particularly robust within NBL, Indigo and I&J who collectively introduced over 35 new products to the market. Several process innovations were also implemented within our operations. Operational improvements within NBL's tea operation included the introduction of pneumatic conveying of rooibos, the first for a tea factory in South Africa. The innovation eliminated manual handling of rooibos and has resulted in improved efficiencies and reduced labour costs. To meet the increased demand for creamer, the NBL creamer operation altered its manufacturing process and implemented a recipe change, which yielded significant throughput improvements enabling increased production capacity for creamer.

Within I&J challenges posed by the decrease in the average size mix of fish being caught in the Southern African waters have required I&J to adopt a different approach to extracting value out of small fish. Process and product innovation have been combined to address this issue and I&J now

processes 120g fillets, which are also marinated on the line and then used for its Steam Fresh and Flame Grills products. Smaller fish sizes have also required continuous modification of the way in which fish is caught and the trawling operations management did well to keep the landed cost per kilogram in the fresher fleet only up 1% year on year. In addition to this, water utilisation within the processing operations was decreased by 40% in the year under review.

AVI's strategic focus on innovation has led to a supportive organisational structure, which has allowed our people much greater freedom to successfully explore a continuous flow of new ideas. This has been facilitated by our consumer centric approach, mature risk taking and an in-depth understanding of the relevant market dynamics. Dedicated resources and a commitment to actively managing the innovation process in each operation have ensured that in the year under review many ideas made the transition from mind to market.



PRONTO 60g

Koffiehuis, the well-known and loved coffee brand, introduced a new 60g pack to its Pronto Bags range. The change in packaging was implemented to encourage consumers to try the product and experience 'real' brewed coffee taste with the convenience of instant preparation.



NOTTA

This brand innovation marks NBL's first entry into the confectionery market. Notta combines the best of both worlds – the indulgence of a chocolate bar and the goodness of a cereal bar. It is available in four flavours – Mint, Peanut Butter, Mixed Berry and Apricot Caramel. The brand targets the youth market, a new area for Bakers, and has therefore required extensive consumer communication which has taken place with focussed above-the-line support, outdoor advertising and sampling.



MONSTER MUNCH

Monster Munch is an exciting addition to Willards' market-leading range of soft extruded chips. Supported with off-shelf displays and an extensive sampling campaign, the relaunch of Monster Munch has achieved good levels of trial and is showing signs of once again becoming an entrenched favourite.



CHOC O BREAK

Late in 2004 Bakers introduced a Choc O break magic variant, a delicious crunchy biscuit hoop enrobed in white chocolate and covered with hundreds and thousands, as a limited edition line for its Christmas promotion. Due to its success it was maintained for the range. The variant plays an integral part in the Bakers above-the-line campaign and particularly its supporting television commercial titled Magical Wishes.



WAFIZZ

Due to consumer demand, this well-loved brand brought back two of its old time favourites – Strawberry and Chocolate – as core flavours to the range. These flavours have always been a popular choice with young children and a welcome return to add more delight to the cookie jar and the Bakers Wafizz range.



JOLLY JAMMERS

This brand was repositioned during January 2005 with new packaging and a pack format change to a longer pack, which was passed to the consumer with an additional 33% free with each pack.



ROMANY CREAMS

In order to meet changing consumer demand, this family favourite Bakers biscuit underwent a recipe improvement and significantly upgraded its packaging design. An ubiquitous consumer communication campaign, designed around the central message – "It's Romany Time!" – supported the relaunch. A new flavour, Choc Fudge, further strengthened the revitalisation of the range.



D'LIGHTS

This new addition to the Bakers stable was introduced as a pantry replacement for old time snacking favourites. The brand is aimed at bringing affordable home-baked taste to the consumer more often and putting those hard-to-get flavours that consumers crave within arm's length. Bakers D'Lights is available in Lemon Meringue, Apple Strudel and Carrot Cake flavours, which taste just like the real thing.



PRO-VITA BITES

Since 1872 Pro-Vita Crispbread has been a firm favourite with consumers as a healthy and wholesome snack. To meet modern consumers' needs for convenience, Pro-Vita introduced Bites – tasty bite-size snacks. It was launched in two flavours, Oats & Brown Sugar and Cocoa & Oats and two further variants are planned for the next financial year.



VITASNACK RICE AND CORN

Research has shown that the rice segment is currently the fastest growing cracker segment in South Africa. To capitalise on this growing trend and also meet consumers' needs for healthier snacking, Pyotts VitaSnack introduced its new Rice and Corn range. The range includes Potato and Rice snacks in Oriental Sour Cream & Chives, Asian Sea Salt & Vinegar and Thai BBQ flavours and Rice and Corn snacks in Cheese Supreme and Sweet Chilli & Sour Cream flavours.



KENNA

Kenna ground coffee introduced two new medium roast blends to its range. The Continental and Café blends have added rich new aromas and unique tastes to the coffee drinker's repertoire and choice to the consumer's shopping basket. Kenna's packaging and point-of-sale material has also been modernised, making it easier to find on the supermarket shelf.



STRIP PACKS

Delivering affordable options to the consumer remains a key area of innovation within the affordable coffee and creamer category at NBL. Strip packs, offering smaller packs, had been successfully used within tea and other categories and was extended for coffee and creamer, including the Frisco, Koffiehuis, ACE, Pronto and Ellis Brown brands.



FISH CAKES

I&J extended the versatility of its Fish Cakes range by adding two new flavours – Lemon, Garlic & Parsley and Fruity Chutney. As an entry level product into the category, the new flavours will increase the range appeal and usage occasions. The product has remained faithful to the time-honoured traditional fish cake recipe that has made Fish Cakes a family favourite.

LIGHT & CRISPY

I&J's flagship Light & Crispy range regularly introduces new variants to ensure the brand remains contemporary. The latest variant, launched this past year, was Roasted Sweet Pepper. The flavour was selected after extensive research with I&J's consumers. Initial indications are that this flavour will perform well, thereby ensuring that Light & Crispy will maintain its market leadership position.



GOLDEN SMACKEROOOS

I&J Smackereroos, a long established snacking favourite for adults and children alike, was launched in a new Lemon Pepper flavour. The fish snacking segment continues to show growth and I&J Smackereroos' golden-battered bite-sized fish chunks are perfectly positioned for future growth.



CHICKEN BITES

Following on the success of its other microwave prepared fish products, I&J introduced Microwave Crispy Chicken Bites. The product utilises the innovative packaging technology which was specifically designed for Microwave Fish & Chips. The bite-size treats are available in two popular flavours, Lemon & Black Pepper and Cheezy Cheddar.

STEAM FRESH

Launched under the I&J brand in South Africa and the Birds Eye brand in Australia, the product is a first in both markets. Steam Fresh, available in three flavour marinades, uses an innovative steamer bag that employs the convenience of microwave technology to deliver a restaurant quality taste. The product won an award in the ready-meals category at the 2005 Sydney Food Challenge.



FLAME GRILLS BEEF

I&J's flame grilled chicken and fish products have proven so popular with consumers that the range has been extended in beef. The new Beef Flame Grills is a first for the retail market in South Africa and was launched with two variants, Honey & Mustard and Prego Steak. Real flames ensure a unique barbeque taste experience, unlike many other products that add the "char grilled" flavour artificially.

INTERNATIONAL PRODUCTS

I&J launched extensions of plain fish variants under three brand names, Lilibiggs, Picard and Kingklip Portionen for the international market.





LASTING FINISH FOUNDATION

This product is the first long wearing foundation in the RIMMEL brand line. It was introduced to replace the Double Act foundation which has now been discontinued. Lasting Finish is a superior foundation formulated with RIMMEL's exclusive ColourHold™ technology.



HOITY TOITY

The house of Lenthéric continuously strives to introduce fragrances in line with international and fashion trends. Hoity Toity meets all these requirements as the fragrance, packaging and communication campaign are fun, feminine and completely unique to the South African market. The communication campaign introduced an animated television commercial, which was a first for a fragrance brand, and the resulting publicity helped to highlight the brand above other marketing clutter after its launch.



NON-STOP CURL MASCARA

Yardley introduced its new mascara, Non-Stop Curl, following the international trend for updated packaging and improved formulations based on enhanced technology. Non-Stop Curl Mascara includes an innovative elastic formula and an expertly designed brush applicator.



DEFY TIME FOUNDATION

This foundation range is based on formula innovations and more up-to-date packaging design and shades. The range includes more yellow-toned shades to satisfy the South African consumer. To meet the trend in the market, the formula also contains treatment benefits which include anti-ageing and radiance-enhancing.



ADIDAS SHOWER GEL

Developed in collaboration with athletes from a wide range of disciplines, the adidas' personal care range for men launched its first shower gels. The range was introduced to enhance the adidas fragrance and toiletry offering and to capitalise on the international trend towards shower gels. The six variants are differentiated by colour, with the main ingredient of the formula and its product benefit displayed on the pack. The brand has increased visibility of the adidas toiletry and fragrance range at the point-of-purchase.



CONTROL SHINE FOUNDATION

Control Shine foundation was launched to upgrade the Yardley foundation category. This upgrade was based on formula innovations and more contemporary packaging. The dermatologically approved formula provides the wearer with a long-lasting smooth matte-finish.



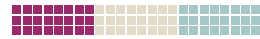
ADIDAS FRAGRANCE FOR WOMEN

Sporty femininity is conveyed with the launch of the first female adidas Eau de Toilette fragrance in South Africa. It carries the adidas endorsement and was launched off a sports inspired platform that is unique to South Africa. The range of four fragrances, each in a different shade, is an affordable selection of quality fragrances to suit the different feminine moods.



XTREME VOLUME COMB MASCARA

RIMMEL's new mascara, Xtreme Volume, features a new-generation VolumeBoost comb with wider-spaced teeth for lash separation and built-in mascara reservoirs that release a volumising formula, which is currently awaiting patent. The product has performed well in the South African market and has become the top selling mascara for the Rimmel brand.



indigo cosmetics

FULL VOLUME LIPSTICK

The Full Volume range is a new category which RIMMEL is introducing globally. Full Volume Lipstick is the first of many new products into this category and was launched in 14 fashion colour shades. Its formulation enhances the lip structure and volume and this effect builds over time.



ANGELICA

Angelica was introduced to broaden the Coty female fragrance stable and increase in-store visibility of the brand. This additional fragrance will increase shelf space and create excitement at the point-of purchase for the entire Coty female fragrance line.



SOLO 18 AND 152/90

Lenthéric's range of Solo deodorants has developed modern new packaging and introduced two new variants to the range. Both have added exciting variety to the category and choice to the consumer to keep the brand top of mind.



ANTONIO BANDERAS SPIRIT FOR MEN AND WOMEN

The SPIRIT fragrances for men and women were introduced to capitalise on the opportunities in the bridge fragrance market, which is the fastest growing fragrance market sector. Research has shown that the fragrances are considered desirable since SPIRIT promotes a very specific celebrity lifestyle with its endorsement by talented artiste Antonio Banderas.



CELINE DION NOTES

In October 2004, Indigo introduced a second Celine Dion fragrance – Notes – in line with its strategy to create a house of Celine Dion fragrances. The product is considered appealing because of the Celine Dion endorsement and the range introduction has been particularly well received.

ENIGMA FOR WOMEN

Enigma for Women was launched off a strong base created by the existing Enigma male fragrance. The product introduces a coloured liquid which required a higher level of laboratory development and testing in order to sustain its stable colour. The fragrance is contemporary and has lifted the level of the entire category.



OATMEAL ACTIVE

The Yardley Oatmeal Active range was introduced to offer progressive cleansing formulas, which is the fastest growing segment in the global youth market. Oatmeal Active is the only range in South Africa that offers teenage consumers innovative formulas to address both prevention and cure of skin issues. The product has performed exceptionally well and has significantly grown the category.





ANTHONY ARDINGTON
Chairman

Appointed Chairman in October 2001.

AVI has sharpened its focus as a branded consumer products group and has broadened its footprint into new consumer categories.

The past year has seen significant progress made strategically within the Group. AVI's portfolio of assets is now fully aligned with its long stated strategy of being a branded consumer products group. Buoyant local consumer markets have contributed to increasing the Group's headline earnings from continuing operations by a solid 24%, in spite of the impact of the poor results from our fishing operations.

prices at which they repatriate revenue and in the process have created a more liquid and more stable forex market.

Over the last three years the US Dollar has fallen to a range of 120 – 130 cents to the Euro. Inflation in goods and services has remained low and the USA has improved its competitiveness compared to those countries whose currencies have appreciated with

Buoyant consumer markets have contributed to increasing Group earnings from continuing operations.

Our focus on branded consumer products was sharpened with the sale of Vector Logistics for R455 million in December 2004, which realised a capital profit of R307 million. Owens-Illinois' minority shareholding in Consol was acquired for R526 million in October 2004 and Consol was unbundled and successfully listed on the JSE on 28 February 2005. Both of these companies have been longstanding and successful members of our Group and I would like to thank their management for their contribution and wish them every success in the future.

The completion of these transactions has positioned AVI to pursue its strategy of being a leading branded consumer products group, focussed on food, beverages and semi-durable brands.

In reviewing the macro-economic environment it is clear that while Rand strength has undermined the competitiveness of several industries locally, it has also brought with it considerable benefits including:

- The increasing efficiency of industry generally;
- Lower interest and inflation rates and consequently generally higher PE ratios;
- An increasing awareness, both internally and internationally, that current fiscal and monetary policies have created a stable economic environment; and
- A rapid increase in fixed investment by the private sector and the prospects of significant new investments by the public sector.

An additional positive consequence has been a large improvement in South Africa's net reserves. The direction of the Rand is no longer a "one way bet" and increasingly exporters have hedged the

the Euro. However those countries that have depreciated their currencies relative to the Dollar have become even more competitive. The trade effect of this action is tantamount to an increase in tariffs with a simultaneous price subsidy and has undermined the integrity of globalisation and the effectiveness of the World Trade Organisation as well as compromising the trade position of labour intensive South African industries. A relative appreciation of the currencies of these countries would be equivalent to a devaluation of the Rand without material inflationary consequences which would be an attractive outcome for South Africa's export competitiveness.

Turning to the local economy, this year domestic consumer demand reached record levels. Although the categories in which AVI trades have not seen the rampant growth experienced by the more interest rate sensitive consumer categories, we were pleased with the growth in our volumes. The combined effect of low inflation and interest rates coupled with a continued increase in real salary and wage levels, has led to strong domestic consumer demand. This scenario has been enhanced by the strong growth in new middle class consumers which has largely been driven by the structural changes taking place in our society and economy as the various transformation initiatives continue to have a positive impact.

While the rate of consumer growth is expected to decline, the overall outlook for South African consumer markets is positive over the medium term and provides a solid base for AVI's future growth as a branded consumer products group.

Last year's annual report marked the beginning of our journey towards reporting along the guidelines laid out by the Global Reporting Initiative ("GRI"). Although the introduction of the concept of

sustainability as a value system within any organisation takes time, we have embarked on this journey with a commitment to an improvement in each reporting cycle.

The essence of sustainability reporting is the existence of an implicit contract between business and society, encompassing economic, environmental and social issues. In my view this is particularly important in the South African context in light of the economic and social distortions in our country.

Part of the challenge facing AVI as an organisation operating within a decentralised structure is to support our mix of businesses, covering a range of industries with different sustainability issues, to enable them to meet our standards within an acceptable timeframe. We are establishing a sustainability framework that will:

- Continue to develop and implement responsible business practices at the underlying businesses;
- Assist in achieving common standards of practice across the organisation;
- Create efficiencies around the management of sustainability through this common framework; and
- Standardise the reporting at both the Board and shareholder levels.

Innovation is one of AVI's core values and is a cornerstone for our long-term growth and sustainable competitive advantage.

The report laid out on pages 117 to 139 describes our progress over the past year and provides a view of our development plans for the forthcoming financial year.

In addition to the measures discussed above to maintain a sustainable business, AVI remains committed to transformation at all levels. The Group has appointed advisors to develop a relevant BEE equity structure at AVI. However the delay in the finalisation of The Code of Good Practice drafted by the Department of Trade and Industry may extend this review.

During the course of the past financial year, the BEE shareholding of I&J was increased to 25% with 5% of the equity now residing in the hands of the previously disadvantaged staff of I&J and 20% with black business partners. Further details of the broader transformation initiatives undertaken by the Group can be found on pages 124 to 128 of this annual report.

AVI strives to maintain a high standard of corporate governance within the Group. The Audit and Corporate Governance Committee annually reviews the practices within the Group and is satisfied that there are no material deficiencies in our current practices and procedures. Details of the corporate governance procedures adopted by the Group can be found on pages 16 to 21 of this report.

The Group introduced a formal policy with regard to the retirement of directors in September 2003. This year I will be retiring having reached the mandatory retirement age of 65. Although I am sad to leave the Board I am excited by the sharper focus achieved by the Group and its growth prospects and I am confident that the Group has the requisite competence within the Board to guide AVI in the years ahead.

In anticipation of my retirement, the Board instructed its Appointments and Remuneration Committee to conduct a search for a Chairman, both internally and externally. The current CEO, Angus Band, having

served for seven years in that capacity, felt that it was an appropriate time to step down as CEO.

After reviewing all the candidates, taking into account its obligation to appoint the person who would best serve the interests of both AVI and its stakeholders and balancing the practical realities of business with the technical application of the highest standards of corporate governance, the Board unanimously agreed to appoint Angus Band as my successor.

While the succession to Chairman by a sitting CEO is not prohibited by the South African codes of

governance the advisability of it was considered in detail by the Board and its reasons for this appointment included the following:

- Having witnessed Angus Band in action in his capacity as CEO of AVI and as Chairman of major subsidiaries such as NBL and Consol, the Board was unanimous that he would be an effective Chairman and that he would exercise the appropriate level of independence from management.
- AVI is a multi-business Group and in the Board's view, it is essential to have a Chairman who has a detailed insight into the business, as this will facilitate the Board's strategic debate as well as his ability to engage constructively with the CEO.
- The Board is satisfied that he will continue to uphold the strong standards of governance and transparency of which he has been the champion during his tenure as CEO.
- This appointment provides sufficient continuity for the Board but also provides an injection of new style and thinking in the form of the new CEO. The Board has significant experience and a strong majority of independent non-executives who will ensure that the relationship between the CEO and Chairman has sufficient distance.

Angus Band's tenure as CEO of AVI has been exceptional. His steady implementation of the recovery strategy decided upon in 1999 has resulted in a complete overhaul of the Group and its financial performance. He and his team have continued to sharpen the focus of AVI as a consumer products group and have broadened AVI's footprint into new consumer categories so as to ensure future growth. The establishment of good corporate governance in AVI has been a keen focus for Angus and has been recognised by the awards the Group has received. We are fortunate to have retained his wisdom and experience as a non-executive member of the Board and as Chairman.

The Board is delighted with the appointment of Simon Crutchley as the new CEO as this provides continuity both at a Board and executive management level. Simon, the current business development director, has been a key member of the executive team at AVI for the past three years and has been intimately involved in the strategic development and re-positioning of AVI. The Board is

confident that Simon will provide strong leadership for the Group during this new and exciting stage of its development.

There have also been a number of other changes to the Board. Barry Wood has decided to resign from the Board for health reasons and I would like to thank him for his contribution both as a director and Chairman of the Audit and Corporate Governance Committee ("Auditcom") over the past four years. The Board has elected Humphrey Buthelezi, a member of that committee, to succeed Mr. Wood as Chairman of the Auditcom and Angus Band will join this committee when he becomes Chairman of the Board. Sean Jagoe has succeeded Pat Goss as Chairman of the Appointments and Remuneration Committee and Mrs Nomhle Canca has been appointed to this committee.

My involvement with AVI, particularly my interaction with the Board, the CEO and the senior staff has been a rewarding experience. I have been impressed with the quality of the leadership of the Group executives, the focus that has been achieved, the progress made in growing the business and the standards of corporate governance.

I would like to thank the Board, management and staff for their role in the continuing success of the Group. The support of our consumers, our customers and our suppliers is also much appreciated.

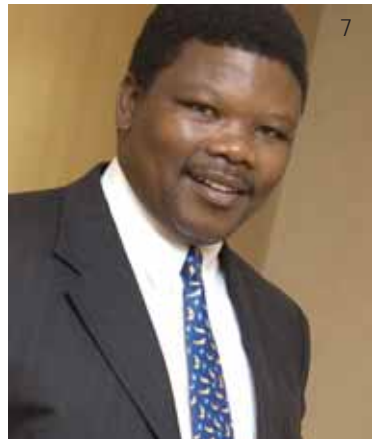
While the Group has been faced with a number of challenges, both operational and strategic, over the past year, AVI remains well positioned to increase shareholder value as a focussed consumer products group. In particular, the growth opportunities offered by our new acquisitions are exciting and enhance our portfolio of heritage brands and consequently the Group is well-placed to continue to offer investors attractive returns.



AJ Ardington
Chairman

6 September 2005

BOARD OF DIRECTORS



■ Executive directors

□ Independent non-executive directors

■ 1. **AWB BAND**

Age: 53

Qualifications: BA, BAcc (Wits), CA (SA)

Directorships: Chief executive officer, AVI Limited, Director Consol Limited, Liberty Group Limited and the Consumer Goods Council Limited.

Angus joined AVI as an executive director in 1997 and was appointed chief executive officer of National Brands Limited in 1998 and Group chief executive officer of AVI Limited in 1999. He was previously the chief financial officer of Telkom SA Limited and commercial director of PG Bison Limited.

■ 2. **SL CRUTCHLEY**

Age: 41

Qualifications: BBus Sci (UCT)

Directorships: Business development director, AVI Limited.

Simon was a co founder of Otterbea International (Pty) Limited, an international import and export business based in South Africa with regional presence in certain African states. He was appointed managing director of Consol Limited in 1997 and oversaw the successful turnaround of the company. He was appointed to the Board of AVI Limited in 1999 and is currently the business development director.

■ 3. **RC GORDON**

Age: 55

Qualifications: BEcon (Stellenbosch)

Directorships: Managing director, Irvin & Johnson Holding Company (Pty) Limited.

After obtaining his qualification, Roy spent six years with Unilever in Durban. He joined I&J Limited in 1978 in the marketing division. He was appointed to the executive committee in 1982, joined the board of I&J in 1990, and was appointed group managing director of I&J in July 1995. Following the restructuring of I&J in 2004, Roy was appointed managing director of Irvin & Johnson Holding Company (Pty) Limited and chairman of the board of Irvin & Johnson Limited.

■ 4. **RS KATZEN**

Age: 37

Qualifications: BAcc (Wits), CA (SA)

Directorships: Financial director, AVI Limited.

After completing his articles at Coopers & Lybrand, Rob joined its corporate finance division in 1993. He was appointed manager corporate finance for the Anglovaal Limited group in 1995 and held this position until the final restructuring of that Group in 1999. He was appointed to the Board of AVI Limited as financial director in 1999.

□ 5. **AJ ARDINGTON**

Age: 65

Qualifications: BSc (Hons) (Rhodes), MA (Oxon)

Directorships: Chairman of AVI Limited, Marriott Holdings Limited, Marriott Corporate Property Bank Limited and Marriott Property Fund Managers Limited. Director of several other companies.

Tony has considerable experience in the sugar and financial services industries. He was appointed chairman of the South African Sugar Association in the early 1990's where he *inter alia* gained experience in international marketing and trade issues within the World Trade Organisation. Tony became chairman of the Marriott Group in the early 1980's while also serving on the boards of Southern Life and subsequently Momentum Life.

□ 6. **PM BESTER**

Age: 64

Qualifications: BSc (Pretoria), MBL (Unisa)

Directorships: Director of AVI Limited, National Brands Limited, Suidwes Beherend Limited, Agrinet Limited and various other companies.

Peter has extensive experience in the FMCG industry. He has held functional management positions in research and development, manufacturing and marketing. He was then involved in the hotel and leisure industry as managing director of Meikle Southern Sun Hotels and subsequently Meikle Consolidated Holdings in Zimbabwe. Prior to his retirement, he held the position of managing director of Cadbury Schweppes Limited for 17 years.

□ 7. **MH BUTHELEZI**

Age: 40

Qualifications: CA (SA)

Directorships: Director of AVI Limited and Umgeni Water. Audit Committee member of the Competition Commission, the Competition Tribunal, and the Safety and Security Sector and Training Authority ("SASSETA").

Humphrey completed his articles with Deloitte in 1990 and qualified in 1991. He ran his own audit practice for a period of eight years. He then served as an audit partner at Ernst & Young for three years. Humphrey is actively involved in the petroleum industry where he is an executive chairman of Wozani Berg Gasoline (Pty) Limited.

□ 8. NMJ CANCA

Age: 39

Qualifications: BA (Economics & Political Science) (Benjamin Mays Academy, Georgia)

Directorships: Director of AVI Limited and Primedia Limited. Chief executive, Blue IQ.

Nomhle has over 10 years' experience in financial services. She qualified to practise as a stockbroker and an investment advisor and worked both in the United States and in South Africa. She is the former CEO of Canca Financial Services, an advisory consultancy in the financial services industry and was co-founder and executive director of Women Investment Portfolio Holdings Limited ("Wiphold") and the Women's Development Bank. She serves on the Katz Commission into Tax Reform.

□ 9. AR EVANS

Age: 62

Qualifications: MA (Oxon), MBA (Harvard)

Directorships: Chairman of Rhys Evans Group, director of AVI Limited and Hans Meresky Holdings (Pty) Limited.

Anthony has been involved in agriculture for over 37 years. He has been chairman of the family owned Rhys Evans Group since 1972. He has enjoyed achievements such as Agricultural Leader of the Year (1999), Paul Harris Rotary Fellow (1983).

□ 10. AKL FIHLA

Age: 38

Qualification: MSc (Financial Economics) (London)

Directorships: Deputy chairman, Rand Water, Director of AVI Limited, Chief Executive – Business Against Crime South Africa.

Kenny was previously chairperson of the Transformation Committee of the Greater Johannesburg Transitional Metropolitan Council from 1997 to 2000 and a member of the mayoral committee on finance, strategy and economic development in Gauteng between 2000 and 2003.

□ 11. PM GOSS

Age: 57

Qualification: BEcon (Hons), BAccSc (Hons) Stellenbosch, CA (SA)

Directorship: Director of AVI Limited, Firststrand Limited and RMB Holdings Limited.

After graduating, Pat qualified as a chartered accountant with Ernst and Young and then joined the Industrial Development Corporation, before embarking on a career in retailing and the hospitality business. He has been involved with Rand Merchant Bank and its associate companies for upwards of 25 years. A former chairman of the Natal Parks Board, his family interests include conservation related activities, both locally and elsewhere in Africa.

□ 12. JR HERSOV

Age: 39

Qualification: MA (Cantab)

Directorship: Director of AVI Limited and Aveng Limited.

James became involved in business in 1989 as co-founder of Otterbea International (Pty) Limited, an internal import and export based in South Africa with regional presence in certain African states. He was appointed an executive director of Anglovaal Limited in 1994 and was involved in the restructuring of the Anglovaal Group.

□ 13. SD JAGOE

Age: 54

Qualification: BSc (Eng) (Wits), MBA (Trinity College, Dublin)

Directorships: Director of AVI Limited, Consol Limited, Ceramic Industries Limited and Reunert Limited.

After qualifying as an engineer, Sean worked in the mining equipment industry for five years. Thereafter he obtained an MBA and, for the past 24 years, has been involved in corporate finance and mergers and acquisitions through senior positions *inter alia* at Rand Merchant Bank and Morgan Stanley.

□ 14. BT WOOD

Age: 63

Qualification: CA (SA)

Directorships: Director of AVI Limited and Deloitte & Touche.

Barry has over 20 years' experience as a senior partner at a leading firm of accountants. He later became financial director at Johnnic Limited and served on the boards of SAB, Premier Foods and Johncom until his retirement in 1998.



Independent non-executive directors

The AVI Board, through the corporate governance structure of the Company, continuously updates itself on best practices and ensures that the requisite enhancements are implemented within the Group and its subsidiaries. The Board is satisfied that the AVI Group complied with all the material provisions of the King II report as well as the JSE Listings Requirements.

DECENTRALISED BUSINESS MODEL

AVI operates according to a decentralised business model. Each subsidiary has its own governance and risk management structures. They are supported by clear authority frameworks and Group policies regarding governance, reward structures, risk management and ethics that are implemented across the Group. To ensure that the Board performs its oversight responsibilities regarding subsidiaries and to improve communication, an independent non-executive member of the AVI Board is appointed to each of the material subsidiary boards.

BOARD

The Board has adopted a unitary structure and presently comprises fourteen directors whose particulars are set out on pages 13 and 14 of this annual report. The roles of Chairman and chief executive officer are separated with AJ Ardington and AWB Band respectively holding these positions. There are four executive directors and ten non-executive directors who are independent non-executive directors in accordance with King II.

There were no Board changes during the year under review.

The Board met four times during the year to conduct the normal business of the Company. Two additional Board meetings were convened to deal specifically with the unbundling of Consol Limited. Apart from formal Board meetings, the non-executive directors met four times with the chief executive officer during the year under review to deliberate on issues that pertain to the business of AVI.

BOARD COMMITTEES

The following committees assist the Board in the discharge of its responsibilities:

- Audit and Corporate Governance Committee; and
- Appointments and Remuneration Committee.

AVI Board committees form an integral part of the Group's governance framework. The Company's Board committees and those of its major subsidiaries are formally established through terms of reference that set out their respective roles, duties, accountability and delegated authorities. The Board committees also have unrestricted access to all company records and personnel and are entitled to seek independent professional advice at the Company's expense should the need arise. The chairman of each Board committee makes a report to the full Board and the minutes of these meetings are noted and discussed at the Board meetings.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

The Audit and Corporate Governance Committee is an important element of the Board's system of monitoring and control. The committee meets at least twice a year. Its members, all of whom are independent non-executive directors, are BT Wood (chairman), MH Buthelezi and AR Evans. During the year under review AWB Band resigned as a member of this committee in line with corporate governance best practice. He attends meetings by invitation together with the Group financial director. The members of this committee have extensive audit committee experience and are financially literate. The committee was established to assist the Board in overseeing the:

- financial reporting process;
- operation of effective systems of internal control and internal audit processes;
- operation of an appropriate external audit appointment as well as policies with respect to non-audit services performed by the external auditors;
- operation of an effective insurance risk management process;
- implementation of sound corporate governance policies;
- safety, health and environmental matters; and
- information technology governance.

The committee also reviews the reports of the audit and corporate governance committees of subsidiaries. The Group financial director chairs the audit and corporate governance committees of the subsidiaries. Each of these committees meets at least twice a year with the external auditors, the

Group internal audit manager and the relevant financial director and company secretary.

APPOINTMENTS AND REMUNERATION COMMITTEE (“REMCOM”)

AVI seeks to ensure that the Group Remuneration Policy and Practice is aligned with the objective of ensuring that AVI retains and attracts the appropriate level of intellectual capital. The Group strives to foster a culture in which people are both empowered and accountable and rewarded appropriately when compared to the market and their level of responsibility.

The RemCom recommends the Group policy in respect of reward structures, which includes salary packages and benefits, as well as short- and long-term incentives to the Board. This committee is entrusted with the implementation of the remuneration policy.

Four independent directors presently constitute the RemCom, SD Jagoe, who was appointed to chair this committee in the place of PM Goss, who remains a member of the committee, AJ Ardington and NMJ Canca. The chief executive officer attends all meetings by invitation. The RemCom met four times during the year.

The terms of reference of this committee are to assist the Board by taking responsibility to consider and make recommendations on the following matters:

- succession planning with respect to the Group and subsidiary companies senior executive management;
- remuneration policies including salaries, fringe benefits, share options and incentives applicable to senior executives to ensure that they are adequately rewarded; and
- the composition of the Board and its committees with respect to size, diversity, skills and experience.

The committee also assesses the effectiveness of the Board, its composition and evaluates the performance of all directors and senior executives. On an annual basis the Board as a whole assesses its own performance and that of the Chairman. The committee also assesses the performance of the chief executive officer. The RemCom is also responsible for the assessment of candidate directors to be appointed to the Board. An extensive and transparent methodology is used in

the recruitment of new directors with the help of suitably experienced experts. The committee recommends suitable candidates to the Board, which makes the appointments. New directors are provided with induction material and are taken on site visits to familiarise them with the operations of the Group.

Remuneration, bonuses and retirement fund benefits

The RemCom recommends the Group policy in respect of reward structures, which includes salary packages and benefits, as well as short- and long-term incentives to the Board. Once a mandate is obtained, the RemCom is entrusted with the implementation of the policy. Each major subsidiary has its own committee, which operates within the Group policy.

Salary levels are set with reference to independent salary surveys on a regular basis, taking cognisance of specific industry skills requirements. Annually a benchmarking exercise is conducted by remuneration consultants for the executive management as well as selected positions within the next levels of management. The salary curve for each band is also compared to published industry statistics. Where bargaining units exist within the operations, negotiations take place with the recognised union.

Guaranteed annual packages are targeted at a range of 95 percent – 105 percent of the market median with short-term incentive schemes that, for targeted performance, will result in total earnings reaching the upper quartile. There are no long-term employment contracts and notice periods do not exceed three months.

The short-term incentive schemes are based on the achievements of personal key performance indicators as well as the financial performance of the relevant business unit. The performance achievement is subject to the adjustment by the committee for issues which, in its absolute discretion, it considers necessary. These schemes are uncapped but include “banking”. At target levels of performance, the bonus payment would be 30 percent of total cost to company for executive management. The actual bonus payment for the year under review for executive management was 25 percent of cost to company.

Defined contribution pension and provident fund arrangements exist for all Group companies. All new employees become members of the defined contribution pension and/or provident fund

schemes. Retirement funding contributions are charged against expenditure when incurred. The assets of such retirement funds are managed separately from the Group's assets. Trustees, which include staff and pensioner representatives, oversee the management of the funds and ensure compliance with the relevant legislation.

Share incentive schemes

Share incentive schemes operated by the Group are a powerful tool in aligning the interests of staff with those of our shareholders. All the share incentive schemes currently in operation in AVI have received the prior approval of shareholders. In addition to these share schemes, the Group's subsidiary companies operate "phantom share schemes".

A cumulative limit on the value of share options allocated, based on the exercise price, of 5 times an executive's cost to company has been set.

A maximum of 5 percent of the shares of the issued capital of AVI may be allocated to the share incentive schemes. The current allocation represents 1,6 percent. The share incentive schemes operated by the Group fall into three main categories, namely:

- Phantom share schemes at the subsidiary company level

Nominal shares in the subsidiaries are offered to employees. The value of the shares is calculated based on the AVI price earnings ratio and the audited headline earnings of the relevant subsidiary company. The RemCom prescribes the allocations.

- Conventional share option schemes

Two conventional share option schemes have been implemented by AVI. The Anglovaal Industries Limited Share Incentive Scheme has now been closed and replaced by The Anglovaal Industries Limited Executive Share Incentive Scheme. The update of the share scheme in 2003 followed a review of best practice and benchmarking against the existing conventional scheme. Participation is currently limited to the top four layers of management within the Group and the RemCom approve all participants.

- Out-performance share scheme

Shareholders at the annual general meeting in October 2002 approved the out-performance scheme, The Anglovaal Industries Limited Employee Equity Participation Plan. The first allocations were made in January 2003. This scheme requires participants to make payment in cash and sacrifice ordinary shares from the conventional share scheme in order to take up the out-performance shares. The principles constructed in this scheme provided for value to be created for participants if the AVI total shareholders' return exceeds the greater of the performance of a peer set and long-term market return expectation. Participation is currently limited to the top three layers of management with the Group.

Details of share options issued are set out on pages 52 and 53. The policy on remuneration of executive directors is consistent with that of senior staff as outlined above. Non-executive directors do not qualify for participation in any share incentive schemes. Details of remuneration and fees of directors are disclosed on pages 56 and 57.

The committee intends to undertake a review of all incentive schemes during the current financial year. Consequently, no further allocations will be made in terms of the out-performance share scheme.

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The attendance of directors at Board and Board committee meetings is reflected below:

	Board meetings (4 scheduled meetings; 2 special meetings)	Audit and Corporate Governance Committee (2 meetings)	Appointments and Remuneration Committee (2 scheduled meetings; 2 special meetings)
Executive directors			
AWB Band	6	2 ^x	4 [•]
SL Crutchley	6	*	*
RC Gordon	4	*	*
RS Katzen	6	2 [•]	*
Independent non-executive directors			
AJ Ardington ^{#†}	6	*	4
PM Bester	6	*	*
MH Buthelezi [■]	5	2	*
NJM Canca [†]	3	*	2
AR Evans [■]	6	2	*
AKL Fihla	5	*	*
PM Goss [†]	4	*	2
JR Hersov	6	*	*
SD Jagoe [▲]	6	*	3 [○]
BT Wood [▼]	4	1	*

[#]Chairman of the Board

[▼]Chairman of the Audit and Corporate Governance Committee

[■]Member of the Audit and Corporate Governance Committee

[▲]Chairman of the Appointments and Remuneration Committee

[†]Member of the Appointments and Remuneration Committee

[○]Mr Jagoe was not a member of the committee on the date of one of the meetings

[◆]By invitation as Group financial director

^xOne meeting attended by invitation

[•]By invitation as Group chief executive officer

^{*}Not a member of committee

FINANCIAL STATEMENTS

The directors of the Company are responsible for preparing the financial statements and other information presented in the annual report in a manner that fairly presents the state of affairs and results of the operations of the Company and the Group. The independent external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting their findings thereon. The report of the independent auditors is set out on page 47.

The Board is ultimately responsible for ensuring that the business remains a going concern and that

it thrives. The directors address the going concern concept at Board meetings at least twice annually and, following such consideration, confirm that they are satisfied that the Group has sufficient resources to continue in business for the foreseeable future and thus they continue to adopt the going concern basis for preparing the financial statements.

ACCOUNTABILITY AND AUDIT

Internal audit evaluates and improves the effectiveness of the risk management, control and governance processes. By virtue of its mandate, all audit findings and recommendations are brought to

the attention of management and the Audit and Corporate Governance Committee for consideration and to ensure that timely and appropriate corrective action is taken. All internal audit reports are circulated to the independent external auditors and summaries are reported to the Audit and Corporate Governance Committee.

The Report of the Independent Auditors on page 47 sets out the responsibilities of the external auditors with regard to reviewing the financial statements and the Group's compliance with both statutory and accounting standard requirements.

BUSINESS RISK MANAGEMENT

AVI is committed to ensure that all practical and cost effective risk management practices are developed, considered and comprehensively applied at all levels within the organisation. The Board acknowledges that it retains responsibility for the total process of business risk management.

This is to be achieved by:

- Implementation and maintenance of effective risk control programmes;
- Retaining inevitable risk and/or self-insure to optimal capacity consistent with conservative financial constraints and shareholders' interests; and
- Using secure insurance and reinsurance markets to competitively finance catastrophe risk and losses beyond risk retention capacity.

The objectives of AVI's risk financing programme are:

- To decrease the total cost of risk by minimising and stabilising costs whilst, at the same time, maintaining the broadest level of cover possible;
- To promote a holistic approach to risk management and risk control throughout the organisation;
- To monitor risks in a controlled 'ring-fenced' environment; and
- To build up insurance capacity to retain more risk, ultimately relying on reinsurance markets for catastrophe risks only.

CODE OF ETHICS

The Group's code of ethics has been adopted by all subsidiaries within the Group and disseminated to all employees. The Code stipulates that the Group is committed to a policy of fair dealing and integrity in the conduct of its business and compliance with the Code is mandatory for all employees. Further details of the Code are given on page 121 in the Sustainability Report.

"CLOSED PERIODS" AND OTHER RESTRICTIONS FOR DEALING IN LISTED SECURITIES OF THE COMPANY

Any director of the Company or of any of its major subsidiaries, the company secretary or any other person who is a member of the executive or a member of the executive committee or other similar body of the Company, or any of its major subsidiaries and who is not a director, or any associated person or entity (as defined in terms of the Listings Requirements of the JSE Limited) is prohibited from dealing in the listed securities of the Company during the following periods:

- From fifteen days prior to the half-year and year-end respectively, to the date of announcement of the results;
- Any period during which AVI is trading under a cautionary announcement; and
- Any period during which the Company or its subsidiaries are involved in any formal share buy-back activity involving the Company's securities.

During these closed periods, no communication may be conducted by any director or employee of the Company or any of its subsidiaries, with financial market analysts, the media or investors.

The Listings Division of the JSE, as is required in terms of the JSE Listings Requirements as published through the Securities Exchange News Service, is advised of all dealings by directors of the Company or any of its major subsidiaries in AVI shares.

Non-executive directors and the AVI Group chief executive officer must notify and obtain written clearance to deal from the Chairman of the Company.

Executive directors and other senior employees must notify and receive written clearance to deal from the AVI Group chief executive officer. All such clearances will be noted by the Board at the next Board meeting of the Company and minuted as such.

Clearance to deal in any securities of the listed company during a prohibited period will not be given. A "prohibited period" means any "closed period" and any period when there exists any specific matter that constitutes published price sensitive information in relation to such securities, whether or not the director or senior employee has knowledge of such matter.

LEGISLATIVE COMPLIANCE

The Board is responsible for monitoring compliance with all laws and regulations. The company secretary ensures that the Board and management are apprised of legislative developments and reports to the Board on any incidents of non-compliance.



ANGUS BAND
Chief executive officer

Appointed Chief executive officer in 1999.

The past year has been very positive for the Group in terms of corporate activity and operationally a solid overall performance has been generated by continuing operations.

INTRODUCTION

AVI's asset base has been streamlined to include only branded consumer product businesses following the respective disposal and unbundling of our logistics and packaging operations, while the acquisitions made during the year have strengthened our portfolio of leading consumer brands.

way for higher levels of imports across virtually every category and although the impact has been restricted, this has had some influence on market share in the more price sensitive channels.

Good growth has been experienced, at solid margins, in respect of exports into Africa by NBL.

Group turnover from continuing operations increased by 9% to R4,8 billion while the operating profit increased by 16% to R469 million.

The unbundling and listing of Consol provides investors with direct access to the leading glass packaging manufacturer in South Africa and the disposal of Vector Logistics was concluded on favourable terms. As the structure of the Group has been materially affected by the corporate activity, my commentary will focus primarily on the continuing operations of the Group excluding Consol and Vector.

A very strong operating performance was achieved by NBL with solid contributions from the newly acquired Denny Mushrooms, Indigo and I&J domestically. This performance was, however, eroded by the decline in Alpesca, I&J's Argentine subsidiary, as well as the cost of Indigo's Lenthéric launch into Australasia. Group turnover from continuing operations increased by 9% to R4,8 billion lifting the operating margin from 9,3% to 9,8%. The diluted headline earnings per share increased by a creditable 26% to 106,9 cents.

The year has been characterised by strong levels of local consumer demand, fuelled by the development of a strong emerging middle class and the impact of the low interest and inflation rates currently prevailing. Selling price increases have been constrained in virtually all of our categories and in some cases, such as cosmetics, no increases have been taken since 2002.

The strength of the Rand has, however, contributed to lower raw material and packaging costs which has assisted in the management of margins. In the second half of the year local inflation has started to impact costs, for example fuel, and this will be compounded by wage settlements well above inflation. The Rand's strength has also opened the

I&J has continued to experience strong demand both locally and internationally but supply has been impacted by a combination of poor catch rates and two prolonged strikes at Alpesca.

In terms of external recognition numerous awards were received by the Group for product innovation as well as service achievement. A highlight was the three Proudly South African awards which saw NBL recognised as Company of the Year and Employer of the Year and I&J as Marketer of the Year. These awards are due recognition for the diligent work of many talented and committed employees.

STRATEGIC OVERVIEW

AVI's business rationale is to provide enjoyment to people through the supply of branded, added-value products. Our strategic focus has been narrowed with the exit from packaging and logistics as well as the removal of the services sector as a target area. Conversely the footprint for branded consumer products has been widened to include branded semi-durables. This broadening of our definition of branded consumer products builds off our long established position in cosmetics and will, we believe, provide growth opportunities in related categories where our core competencies can be applied but which allows us to remain true to our business rationale.

Our key strategic objective remains to build a portfolio of leading consumer brands as it is our opinion that the South African consumer is becoming increasingly brand-focussed and that brands will be both the key differentiator and a source of growth.

The acquisition of A&D Spitz falls within our branded semi-durables strategy and gives AVI an exciting opportunity to acquire direct ownership of premium, international footwear brands coupled with the 36 year-old pedigree of the Spitz brand itself. Spitz procures, markets and distributes a portfolio of footwear brands through 25 A&D Spitz outlets across the country. Spitz owns the Carvela and Kurt Geiger brands and is the master distributor for Lacoste footwear in South Africa as well as being a licensee for other well known shoe brands.

The Group has also increased its involvement in the fresh-to-market category with the acquisition of Denny, the country's leading branded mushroom supplier for R140 million, effective 1 August 2004. Sir Juice, which supplies fresh fruit juice to the food service channel, was acquired in August 2004 for R19 million and complements AVI's existing position in short-life juice.

Through I&J the Group has expanded its involvement in high-value aquaculture with the acquisition of the remaining 50% of our abalone farm in Chile and is also expanding the farm at Danger Point near Cape Town to substantially increase output. A number of fin fish aquaculture projects which look encouraging are being pursued both locally and in Chile. A decision has been taken to exit the pelagic fishing operation as it does not fit with our added-value strategy. One vessel has been sold and the other two are expected to be sold by the end of 2005.

The broadening of our definition of branded consumer products provides growth opportunities in related categories.

The investment in our brands through both marketing support and innovation is a critical aspect of AVI's growth initiative. The results from our innovation focus over the course of the past year are set out on pages 2 to 7 of this report, and we are pleased to report that turnover from new products, launched over the past three years, now contributes 18% to overall Group turnover, above our previously published target of 15%.

Following the restructuring of the Group we believe it is relevant to classify our businesses and brands into segments which more appropriately reflect the dynamics of those businesses. Starting with this

annual report we have amended our reporting categories as per pages 26 and 27.

FINANCIAL HIGHLIGHTS

The financial results reported in this annual report have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This has required a review of the format of the financial statements previously presented under South African Generally Accepted Accounting Standards and includes a significant increase in the disclosure of information presented in the notes to the financial statements. The impact of the conversion on reported earnings is not material and details of the conversion process are set out in the supplementary notes on pages 109 to 113.

As stated in the commentary above, the restructuring of the Group has also significantly affected the comparability of the information presented. Accordingly, the commentary contained in this section of the report will focus on continuing operations.

The performance of the Group's continuing operations was boosted by strong domestic volumes and the impact of acquisitions. Turnover grew by 9% notwithstanding the impact of the Rand on export realisations and the low inflationary environment in South Africa. While negatively affecting turnover, the stronger Rand resulted in lower raw and wrap costs across the Group and,

together with the economies of scale from volume growth and good cost management, enabled the Group to post an increase in operating profit from continuing operations of 16%.

The effective tax rate applicable to the headline earnings for continuing operations was 27% (2004: 33%). The movement in the tax rate was primarily as a result of the change in the official rate of tax to 29% and a significant reduction in the STC charge.

Cash flow remained strong with cash generated by continuing operations up 26% largely as a result of the improvement in operating performance. The

Group has continued to support its continuing operations with R116 million spent on maintenance capex (2004: R76 million) and R92 million invested in additional capacity (2004: R97 million).

Working capital was well controlled with average working capital to turnover remaining below 14%. The deterioration in the ratio to 13,8% from 13,6% in the previous financial year is as a result of the decrease in turnover in I&J as well as some inefficiencies in the year-end inventory positions of I&J and Indigo. This will be addressed in the new financial year.

The improved operating performance from continuing operations and continued focus on asset utilisation have resulted in a return on average capital employed for the continuing Group of 15%, well ahead of the weighted average cost of capital of 10%. The Group's EVA consequently shows value created during the year of R47 million.

DISCONTINUED OPERATIONS

Vector was sold on 2 December 2004 and in the five-month period generated sales of R200 million which compared to R430 million for the full year to 30 June 2004. The operating profit for the five-month period amounted to R33 million in comparison with the R69 million earned for the 2004 financial year.

Consol was unbundled on 28 February 2005 and in the eight-month period had sales of R1,5 billion which compared to R2,1 billion for the full prior year and generated an operating profit of R351 million compared to R481 million for the 2004 financial year.

Following the decision to exit the pelagic fishing operation and to dispose of the pelagic vessels, the results of this operation for the full year have been disclosed as discontinued. In the financial year to June 2005 this operation incurred an operating loss of R12 million which compared to a loss of R13 million in the prior year.

DIVIDEND

The Board has determined that, given the strong cash generating capability of our Group and the change in the risk profile following the unbundling of Consol and sale of Vector, it would be appropriate to reduce the dividend cover from 2,5 to 2,0 times, based on headline earnings. This revised policy will apply to the final dividend in respect of the 2005 financial year but will exclude the earnings of Consol and Vector.

A final dividend of 37 cents per share for the year ended 30 June 2005 has been declared.

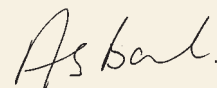
OUTLOOK

AVI, with its portfolio of leading consumer brands, is well positioned to take advantage of the structural consumption shift occurring in the South African market, in particular within the growing middle income consumer sector. The acquisitions that we have made are also expected to contribute positively and we do not anticipate a recurrence of the industrial unrest in Argentina. Taking these factors into account the Board anticipates that a real increase in earnings will be achieved in the next financial year and that the Group will continue to deliver superior returns for shareholders.

APPRECIATION

I would like to thank the executive team at AVI and at our operations, as well as all staff for their commitment and diligence over the past year. I have enjoyed working with you over the past seven years and am pleased that, subject to my re-appointment to the Board, I will have an ongoing role to play in the capacity of non-executive Chairman. Simon Crutchley, the new CEO, has been involved in the development of our strategy and I have every faith that he, together with the great team of committed and talented people in AVI, will continue to drive the Group to deliver sustained growth for our shareholders.

I would also like to thank our Board for their robust and positive engagement and their support. Tony Ardington, our Chairman, is retiring later this year, having reached the mandatory retirement age. He has made a strong contribution over the past four years which was a period of major change for our Group and we will miss his wisdom and leadership.



AWB Band
Chief executive officer

6 September 2005

FOOD BRANDS

The Group's food brand categories comprise the following operations:

- the **grocery** operations, owned by NBL, include many of South Africa's leading biscuit, coffee and creamer, snacks and tea brands as well as a food service capability;
- the **frozen foods** portfolio owned by I&J includes South Africa's leading frozen seafood brand, value-added chicken and beef burger brands as well as a range of international frozen seafood brands; and
- the **fresh-to-market** operations which comprise Denny, South Africa's leading mushroom brand, and our portfolio of fresh fruit juices owned by the RBC.

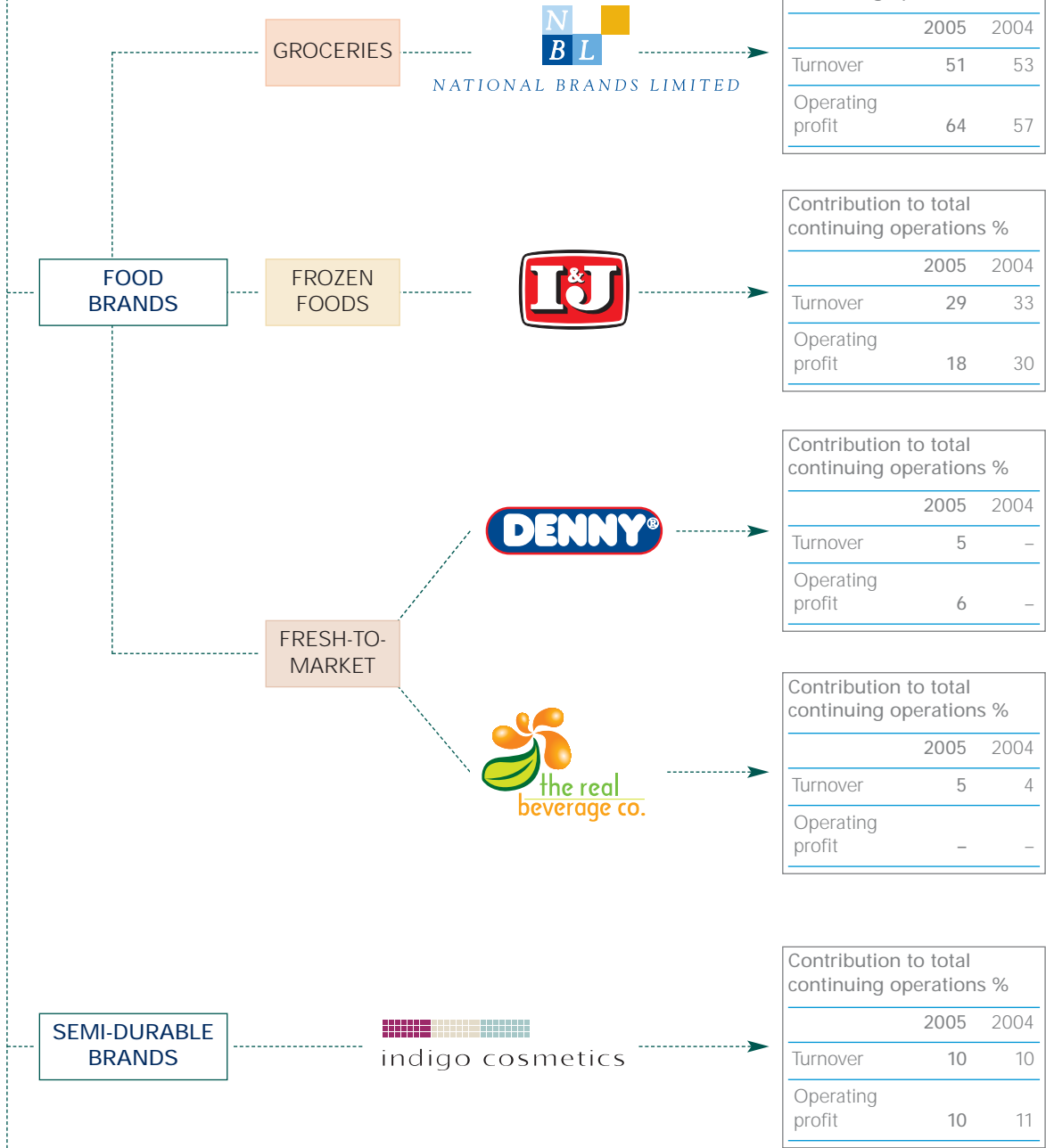
SEMI-DURABLE BRANDS

The semi-durable category currently includes only the Group's cosmetics business, Indigo. This category will be significantly expanded in the next year as a result of the acquisition of A&D Spitz, effective 2 July 2005.



AVI

CONTINUING OPERATIONS



DISCONTINUED OPERATIONS





NBL has delivered a very strong performance taking advantage of the buoyant local consumer markets which contributed to volume growth of 7%.



CLIFF SAMPSON
Managing director

Appointed managing director
of NBL in November 1998.

Turnover increased by 6% to R2,5 billion, with the low inflationary environment continuing to constrain price increases. The volume growth together with the benefit of lower commodity prices and general cost containment resulted in operating profit increasing by 29% to R301 million. The operating profit margin grew from 9,9% to 12,1%.

The strong Rand, while enabling more cost effective procurement of raw and wrapping materials, also provided for increasing competition from imported products across most of NBL's categories. In order to defend its market position, NBL increased total marketing spend by 12,4% against the prior year. In addition, over ten new products were introduced during the year.

The affordable coffee and creamer category enjoyed very strong growth. Turnover grew by 12% following volume increases of 16% with particularly high demand for creamer. The growth in turnover was limited by lower selling prices and adverse mix. Increasing raw coffee commodity and tin packaging costs together with an increase in maintenance costs at the Isando factory limited operating profit growth to 1%. Coffee selling prices were increased in the last quarter to cover some of the increase in the raw material and packaging costs.

Ciro Alliances which manages NBL's out-of-home channel as well as the premium coffee brands was the only category not to record an improvement in turnover. This was a result of the decision to exit the low margin independent catering channel. On a comparable basis turnover was 3%. Costs were well contained and rationalisation benefits from the House of Coffees acquisition in the prior year contributed to operating profit increasing by 15% for the year.

The **biscuit category** grew turnover by 11% on the back of an 8% increase in volumes with strong local demand boosted by good growth in export markets. The benefit of



NATIONAL BRANDS LIMITED



NBL	2003 Rm	2004 Rm	2005 Rm	Increase %
Turnover	2 161,4	2 346,0	2 482,1	6
Operating profit	172,0	233,5	301,1	29
Operating margin	8,0%	9,9%	12,1%	22
Capital expenditure	85,5	74,9	85,9	15

these additional volumes together with overhead cost containment and lower raw and wrap costs contributed to operating profit lifting by 33%. Although this category experienced increased competition from cheaper imports we believe that the marketing and innovation response has been appropriate. Marketing spend was up 25% and there was significant investment in new product development and launch costs. The introduction of

3% for the year after funding a 17% increase in marketing spend. The upgrade of the Durban tea factory will drive both new product development and efficiencies in the next financial year.

Willards continued to improve its operating performance and generated a small operating profit for the year. Although turnover growth was constrained due to an active programme of product

Good progress was made in our affordability and regional diversification strategies.

the Topper range, for example, which targets more affordable price points has seen excellent demand from that sector of the market. In addition to this initiative a number of exciting new products were launched and the pipeline for the new financial year is very promising.

Turnover growth within the **tea category** was 3% on volume growth of 6% and our market share reached an all time high. Black tea prices were decreased in the second half of the prior year as the landed cost of raw tea declined. Strong growth was seen in respect of black tea volumes but sales of Rooibos declined due to the sharp increase in prices in the prior year which was driven by raw material shortages. Some recovery in Rooibos was evident in the last quarter. Operating profit was up

rationalisation, a further reduction in the cost base coupled with improved raw and wrap costs and lower discounting in the market contributed to the improved results. Considerable time has been invested in improving all aspects of product quality and marketing plans were substantially revitalised which should contribute to further recovery in the Willards brand in the coming year.

The total capital expenditure incurred for the year was R86 million, with R48 million for expansion and R38 million for maintenance. The single biggest expenditure was R16 million on the new baking line for baked snacks at the Isando plant, and R5 million for the replacement of tea packaging machinery at the Point Road facility in Durban.



NATIONAL BRANDS LIMITED



NBL is well positioned to benefit from its focus on innovation and the strong domestic consumer environment.

While the domestic performance of I&J improved during the financial year, a number of uncontrollable factors resulted in a poor performance from its Argentine operations.



ROY GORDON
Managing director

Appointed managing director
of I&J in July 1995.

Consequently, the financial performance of I&J fell well short of expectations and its potential. Turnover declined by 4% to R1,4 billion and operating profit fell 31% to R84 million.

The focus on cost reduction and innovation particularly within the **South African operations** has resulted in this division increasing operating profit by 30% as these initiatives offset the impact of the poor hake size mix and catch rates experienced throughout the year. The cost reduction and efficiency drive will remain a focus for this operation as catch rates and size mix has not shown any material improvement over the year.

Domestic demand over the year remained strong. However, heavy discounting from competitors resulted in a 2,7% loss of retail market share from 59,4% to 56,7%. Given the price sensitivity of these operations, I&J chose to focus on increasing innovation, for example the new range of Steam Fresh products, to protect share rather than enter a price war. Chicken and beef burger products both gained market share, from 25,2% to 30,0% and 37,6% to 43,5% respectively also on the back of successful innovation.

In April 2005, the Government issued its final fishing policy, that will govern the allocation of long-term rights, which take effect on 1 January 2006. A very positive aspect of the draft policy is the reference to 15-year fishing rights for the deep sea hake fishing sector as this will bring some stability to an industry which requires long-term investment. We expect the allocation process for deep sea hake to be completed by the end of December 2005.

While we are not able to assess I&J's final position in respect of this quota allocation, we believe that I&J's exemplary record in the deep sea hake fishery, its value-adding strategy and its progress in promoting transformation should mitigate the potential for any significant loss of quota. In this regard I&J was voted the most transformed company in the food processing and producers sector by the Impumelelo Top Empowerment Company survey in 2005.



I&J	2003* Rm	2004 Rm	2005 Rm	Increase/ (decrease) %
Turnover	1 525,7	1 437,0	1 379,6	(4)
Operating profit	231,2	121,7	84,3	(31)
Operating margin	15,2%	8,5%	6,1%	(28)
Capital expenditure	133,9	57,6	72,2	25

*Includes the discontinued pelagic operations.

The main reason for the decline in the overall financial performance of I&J was the R25 million operating loss reported by its Argentine subsidiary **Alpesca**, compared to an operating profit of R20 million reported in the prior year. The performance of the company was materially impacted by two industry-wide strikes, the first closing operations completely and the second preventing any secondary processing in its major factory for 37 days. Wage settlements were higher than inflation and will have a negative impact in the short term. No further industrial action is anticipated during the new financial year.

market share lost to house brands has been recovered. These gains were eroded by poor operating results from the secondary processing factory in the first half of the year and consequently, operating profit declined by 68%. Costs have subsequently been reduced and plans are currently being implemented to realise further cost savings through additional mechanisation of the processing facility.

Following the decision to exit from the **Pelagic** fishery, the three vessels operating in this fishery were put up for sale. One of these was sold in

The performance of Alpesca was materially impacted by industry wide industrial action and poor shrimp catches.

In addition to the cost of the strikes, shrimp fishing deteriorated sharply as poor catch rates led to the closure of the national fishing areas. This was compounded by a disagreement between two provincial governments which prevented Alpesca fishing in certain provincial waters. While the shrimp catch is expected to improve as environmental conditions become more favourable, access to the shrimp fishing grounds remains limited and only a marginal increase in the performance of the fishery is expected in the new year. Hake catch rates are currently very good and the Total Allowable Catch has been increased further from 370 000 tons to 390 000 tons.

FFi Trading, which is I&J's international sales operation based in Europe, generated a 7% increase in operating profit, notwithstanding the strong Rand. Good progress has been made in developing third party agency business in high-value seafood products.

Simplot, I&J's Australian joint venture, achieved significantly improved sales year-on-year and the

October for US\$5 million. It is expected that the remaining vessels will be sold by the end of the calendar year. The results of this operation have consequently been reclassified as discontinued.

The black empowerment shareholding in I&J was restructured during the year. In terms of this restructuring the direct empowerment shareholding has now been increased to 25%. Of this shareholding, 20% is owned jointly by Ntshona Enterprises and Mast Fishing, two broad-based empowerment organisations with a strong commitment to the South African fishing industry. The remaining 5% has been transferred to the South African black staff of the I&J group. AVI has continued to fund the acquisition of the I&J shares and, in respect of the staff ownership structure, donated 20% of the shares transferred.

During the year, I&J invested R75 million in capital expenditure of which R23 million was classified as expansion capex. The most significant item was the acquisition of the premises used to operate its offshore marketing division at a cost of R18 million.



I&J is proud of the transformation it has achieved, which was recognised with its award as the Top Empowerment Company of the year in the Food Processors and Producers sector in the Impumelelo Top Empowerment awards.

AVI's position within the fresh-to-market arena was bolstered with the acquisition of Denny at the beginning of the financial year.



RODDY CAIRNS
Managing director

Appointed managing director
of Denny in 1998.

Denny, South Africa's leading mushroom producer, sells a wide range of fresh and processed mushroom brands including Denny, Silverstream, Gable and Moonlight Mushrooms, and operates out of five growing facilities, situated throughout South Africa. It also has a wholly-owned subsidiary, Dining-In, which has two food processing plants and manufactures a range of niche, value-added, convenience food products.

Turnover for the 11-month period since acquisition was R230 million with volumes of fresh mushrooms up 5% on the comparable period in the prior year. This level of activity was below expectations as imported product from China on the back of the stronger Rand had a negative impact on processed product realisations. Operating profit for the year, which reached R28 million, was partially constrained by production problems in the Gauteng plant during peak season.

Capex for the period was focussed on upgrading machinery on several of the operations to enhance productivity. In addition, plant capacity at Dining-In was increased. Total capex for the year amounted to R12 million.

An extensive review of the Denny brand has been undertaken. A new marketing strategy has been formulated that has identified new opportunities for the business and will have a positive impact on the performance in the new financial year.



Denny	2005* Rm
Turnover	230,1
Operating profit	27,8
Operating margin	12,1%
Capital expenditure	11,8

*Since acquisition, 1 August 2004.

RBC's financial year was dominated by the Sir Juice acquisition and brand repositioning.



BRIDGET FITSCHEN
Managing director

Appointed managing director
of RBC in February 2005.

The acquisition of Sir Juice, a premium pure juice product, was finalised in August 2004 and has strengthened RBC's position in the short-life juice market with a strong product intrinsic and access to out-of-home consumers. The portfolio now consists of three distinctive brands, Quali Juice, our affordable nectar-based product, Real Juice, a premium unpreserved 100% fruit juice, and Sir Juice.

While turnover on a comparable basis was up 19%, overall turnover of R217 million was up 40% from the previous year. The ongoing integration programme and a change in senior management impeded the implementation of marketing plans and this, together with difficulties in commissioning a new filling line, resulted in an unsatisfactory national launch for the Quali Juice brand. Consequently sales growth was below expectations and, together with the under-recovered overhead from the poor line commissioning, resulted in a disappointing break even operating profit result. During the course of the year a total of R11 million was spent on capital expenditure.

Good progress has been made during the second half of the year in resolving the production problems and service levels were restored which, coupled with deeper distribution, will enhance operating performance in the coming year.

Quali

SIR
JUICE

The Real Juice



RBC	2003 Rm	2004 Rm	2005 Rm
Turnover	31,3	155,0	217,3
Operating loss	(8,8)	(2,5)	(0,2)
Capital expenditure	1,0	14,1	11,3

Indigo grew turnover by 4% to R466 million and operating profit increased by 2% to R47 million.



ROBERT LUNT
Managing director

Appointed managing director
of Indigo Cosmetics in 1996.

Indigo's results for the year were impacted by the investment in the development of a position in the Australasian market for our global brand, Lenthéric. The domestic business, however, reflected profit growth of 40% with a combination of lower input costs, due to the strength of the Rand and strong toiletry demand contributing to lifting profitability. The local pricing environment remained constrained with no price increases taken during the year.

Domestic volume growth of 4% was below expectations as a result of a material decline in sales to the pharmacy channel due to the general confusion about the future of that industry. In addition, a number

of customers have introduced sophisticated inventory management systems which has resulted in lower sales as they have re-balanced their inventory levels.

Innovation remained a driving force in the development of the cosmetics business and over ten new brands were launched during the year. This resulted in innovation contributing 33% of total sales for the year, well above the Group average of 18%.

The introduction last year of a "bridge" category of fragrances has been well received by the market and is expected to continue growing at an accelerated pace. The growth in the fragrance categories over this financial year was stimulated by a high level of celebrity-endorsed product launches, including Celine Dion Notes, Isabella Rossellini's My Manifesto and Antonio Banderas' Spirit.

The toiletries category delivered a strong performance in both the male and female sectors. Key brands in this category include adidas, Solo and Kaleidoscope. The toiletry market continues to grow ahead of market expectations and is expected to remain a beneficiary of the growth in the middle market segment of the consumer market.

The Lenthéric launch into Australasia involved an investment of R15 million which was primarily in marketing support costs in order to establish the brand. Although listings have been secured in some 2 600 outlets, sales have been slower than anticipated, particularly in the male toiletry range. It is not expected that this project will generate a positive contribution in the new financial year.

Capital expenditure for the year amounted to R15 million. The largest part of this expenditure was on permanent merchandising for both Rimmel and Yardley colour cosmetics. This expenditure is necessary to merchandise the extensive cosmetic range in retail stores and plays a major part in the portrayal of the brand's image and identity.



Indigo	2003 Rm	2004 Rm	2005 Rm	Increase/ (decrease) %
Turnover	373,8	446,9	465,8	4
Operating profit	40,3	46,0	47,0	2
Operating margin	10,8%	10,3%	10,1%	(2)
Capital expenditure	16,0	25,4	14,8	(42)

DEFINITIONS

THE COMPANY

AVI Limited ("AVI").

THE GROUP OR AVI GROUP

AVI Limited and its subsidiaries, associated companies and joint ventures.

DIVIDEND COVER

Headline earnings divided by the dividends declared to ordinary shareholders of the Company in respect of the results for the year.

For the year ended 30 June 2005 headline earnings used exclude the results of Consol Limited and Vector Logistics (Pty) Limited.

EARNINGS

Profit after taxation, plus share of equity accounted earnings of associated companies and joint ventures, less amounts attributable to minority interests.

HEADLINE EARNINGS

Earnings as defined above, adjusted for the capital items detailed in note 16 to the financial statements.

EARNINGS PER ORDINARY SHARE

- Earnings and headline earnings respectively for the year in cents divided by the weighted average number of ordinary shares in issue.
- Diluted earnings and diluted headline earnings per ordinary share is calculated taking account of the unexercised share options as disclosed in the directors' report on pages 52 and 53, duly adjusted to take account of the shares to be issued at fair value calculated in accordance with International Accounting Standard 33.

FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

FINANCIAL RATIOS

– Operating margin

Operating profit as a percentage of turnover.

– On capital employed

Profit before interest paid and capital items, taxed at the effective rate applicable to headline earnings, plus share

of equity accounted earnings, as a percentage of average capital employed.

Capital employed is the book value of total assets, less non-interest bearing liabilities.

– Net working capital as a percentage of revenue

Net working capital as a percentage of total revenue.

– Revenue per employee

Turnover divided by the number of employees at the balance sheet date adjusted where appropriate for the effect of any material acquisitions and disposals during the year.

FREE CASH FLOW

Cash retained from operating activities before dividends paid, less net capital expenditure incurred to maintain operations.

FREE CASH FLOW PER ORDINARY SHARE

Free cash flow for the year in cents divided by the weighted average number of ordinary shares in issue.

NET WORKING CAPITAL

The average of inventories and trade receivables, less the average of trade payables.

NUMBER OF ORDINARY SHARES IN ISSUE

Total issued ordinary share capital less the shares held by a wholly-owned subsidiary company, The Anglovaal Industries Limited Share Purchase Trust and The Anglovaal Industries Limited Executive Share Purchase Trust as at 30 June.

TREASURY SHARES

The value of treasury shares is the cost of ordinary shares acquired by a wholly-owned subsidiary company, The Anglovaal Industries Limited Share Purchase Trust and The Anglovaal Industries Limited Executive Share Purchase Trust.

FOR THE YEARS ENDED 30 JUNE

	2005 Rm	2004 Rm
CONTINUING OPERATIONS		
Financial ratios (%)		
– operating margin	9,8	9,3
– return on capital employed	15,3	14,2
– net working capital as a percentage of revenue	13,8	13,8
Liquidity		
– free cash flow (Rm)	360,3	344,0
– free cash flow per ordinary share (cents)	115,6	108,9
Employees at 30 June		
– number of employees		
• South Africa	7 684	6 052
• International	1 756	1 641
	9 440	7 693
Revenue per employee (R'000)	507	570

Note:

The statistics for the years prior to 2004 have not been given. This information will not be comparable as a result of:

- The disposal and unbundling respectively of principal subsidiaries, Consol Limited and Vector Logistics (Pty) Limited in the year under review which has materially changed the Group profile.
- The compliance with International Financial Reporting Standards does not require the restatement of financial information prior to the previous financial year.

AS AT AND YEARS ENDED 30 JUNE

	Post 28 Feb	2005 Pre 28 Feb	2004	2003	2002	2001
Market value per share (cents)						
– at year-end	1 320		1 810	1 525	1 380	980
– highest	1 585	2 600	2 045	1 560	1 450	990
– lowest	1 201	1 725	1 500	1 220	960	620
Total market capitalisation at closing prices (Rm)	4 163,1		6 149,6	5 133,5	4 604,9	3 244,4
Price earnings ratio*	12,2		9,8	7,8	8,9	10,2
Value of shares traded (Rm)	1 909,7	3 311,3	3 202,3	2 539,9	1 512,8	1 072,6
Value traded as a percentage of average capitalisation (%)	45,7	45,1	55,3	54,1	37,8	37,6
Number of shares traded (millions)	141,3	151,0	186,8	183,7	127,9	133,0
Liquidity – number traded as percentage of shares in issue at year-end (%)	92,7	–	55,0	54,6	38,3	40,2
Average weekly Rand value traded (Rm)	106,1	97,4	61,1	48,7	28,7	20,6

*As calculated based on the published headline earnings per share and the share price at year-end. For 2005 only the headline earnings attributable to continuing operations has been used.

The post 28 February 2005 data is not comparable in certain respects to the prior years as a result of the unbundling and separate listing of Consol Limited on that date.



AVI
LIMITED

annual financial statements 2005

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

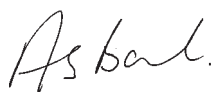
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APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements and Group annual financial statements which appear on pages 48 to 114 were authorised for issue by the Board of directors on 6 September 2005 and are signed on their behalf.



AJ Ardington
Chairman



AWB Band
Chief executive officer

REPORT OF THE INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF AVI LIMITED

We have audited the annual financial statements and Group annual financial statements of AVI Limited set out on pages 48 to 114 for the year ended 30 June 2005. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Company and of the Group at 30 June 2005, and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa.

KPMG Inc.

KPMG Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)

Johannesburg
6 September 2005

CERTIFICATE OF THE COMPANY SECRETARY

I, the undersigned, Vusani Malie, in my capacity as company secretary, certify that:

1. the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act 1973, as amended; and
2. all such returns are true, correct and up to date.

VF Malie

VF Malie
Company secretary

Chislehurst, Sandton
6 September 2005

DIRECTORS' REPORT

BUSINESS OF THE COMPANY AND GROUP

AVI Limited ("the Company"), which is registered and incorporated in the Republic of South Africa and listed on the JSE Limited ("JSE"), is an investment and management company focussed on branded consumer products. The Group comprises trading subsidiaries that manufacture, process, market and distribute branded consumer products in the food and semi-durable sectors.

DIRECTORS' RESPONSIBILITIES RELATING TO THE ANNUAL FINANCIAL STATEMENTS

It is the directors' responsibility to prepare annual financial statements that fairly present the state of affairs, results and cash flows of the Company and of the Group. The external auditors are responsible for independently reporting on these annual financial statements.

The annual financial statements set out in this report have been prepared in accordance with International Financial Reporting Standards ("IFRS"). They are based on appropriate accounting policies which have been consistently applied, unless otherwise indicated on page 61 and which are supported by reasonable and prudent judgements and estimates. The annual financial statements have been prepared on a going concern basis as the directors have no reason to believe that the businesses of the Group will not be going concerns in the year ahead.

To fulfill its responsibilities, management maintains adequate accounting records and has developed and continues to maintain systems of internal financial controls.

The Group's internal financial controls and systems are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the annual financial statements and to adequately safeguard, verify and maintain their assets. These controls are monitored throughout the Group and nothing has come to the directors' attention to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

CHANGES TO THE GROUP

In the year under review, the Company focussed its portfolio on branded consumer products and disposed of its logistics and packaging businesses.

At a general meeting of the Company's shareholders held on 7 February 2005, a special resolution was approved authorising the Board of directors to unbundle and to distribute the entire equity share capital owned by the Company in Consol Limited ("Consol") to the Company's shareholders, and to list Consol separately on the JSE. Consol was then unbundled to the shareholders of the Company on 4 March 2005. Vector Logistics (Pty) Limited was sold on 2 December 2004.

FINANCIAL

The results of operations for the year are set out in the income statements on page 71.

Revenue and operating profit before capital items were generated from the Group's defined segments as follows:

Revenue

	2005		2004	
	Rm	%	Rm	%
Continuing operations:				
Branded consumer products	4 774,9	73	4 384,9	63
Corporate	15,5	–	0,2	–
	4 790,4	73	4 385,1	63
Discontinued operations:				
Packaging	1 547,5	23	2 117,1	30
Logistics	200,4	3	429,7	6
Pelagic fishing	47,0	1	96,5	1
Total	6 585,3	100	7 028,4	100

Operating profit before capital items

	2005		2004	
	Rm	%	Rm	%
Continuing operations:				
Branded consumer products	461,2	55	402,5	42
Corporate	9,1	1	7,1	1
	470,3	56	409,6	43
Discontinued operations:				
Packaging	350,5	41	480,9	51
Logistics	32,8	4	69,4	7
Pelagic fishing	(11,9)	(1)	(12,8)	(1)
Total	841,7	100	947,1	100

Details of this analysis are provided on pages 58 and 59 in the segmental information report, which follows the directors' report.

The five year summary of Group income statements, balance sheets and cash flow statements has not been presented because the years prior to 2004 will not be comparable as a result of:

- The disposal and unbundling respectively of principal subsidiaries, Consol Limited and Vector Logistics (Pty) Limited in the year under review which has materially changed the Group profile.
- The compliance with International Financial Reporting Standards does not require the restatement of financial information prior to the previous financial year.

It is intended to recommence this presentation from next year commencing with a three-year summary.

INVESTMENTS

Information regarding the Company's interest in subsidiaries and details regarding associated companies, joint ventures and other investments is given on pages 104 to 108.

The principal changes were as follows:

- The Company purchased 100% of Denny Mushrooms (Pty) Limited, a mushroom producer and processor. The effective date of the acquisition was 1 August 2004.
- The Real Beverage Company (Pty) Limited acquired the assets and liabilities of Mama Zambi (Pty) Limited, trading as Sir Juice, a short-life juice manufacturer. The effective date of the acquisition was 1 August 2004.
- The Company purchased the 19,26% of Consol Limited held by Owens-Illinois Inc. effective 11 October 2004. Subsequent to this transaction and effective 4 March 2005 the Company unbundled its entire interest in Consol Limited to its shareholders.
- The black economic empowerment ("BEE") shareholding in the Irvin & Johnson Group ("I&J") was restructured and increased to 25% during the year.
 - The Company sold 20% of its shareholding in I&J to Main Street 198 (Pty) Limited, which is owned by a consortium consisting of two black empowerment companies, Tresso Trading 946 (Pty) Limited and Mast Fishing Investment Holdings (Pty) Limited. The effective date for this transaction was 22 November 2004.
 - The Company then sold 5% of its shareholding in I&J to Richtrau No 53 (Pty) Limited, a company representing existing South African black employees of I&J. The effective date of this transaction was 1 May 2005.
- The Company sold its interest in Vector Logistics (Pty) Limited to Rainbow Farms (Pty) Limited, a subsidiary of Rainbow Chicken Limited, effective 2 December 2004.

- Effective 1 January 2005, I&J acquired a further 50% of the shares in Semillas Marinas S.A., an abalone farming company in Chile, thus constituting it as a wholly-owned subsidiary. The company was previously a 50% owned joint venture.

There were no other significant changes to investments, except for I&J holding its pelagic vessels "for sale", as it will be exiting the pelagic fishing business.

SHARE CAPITAL

Details of the Company's authorised and issued share capital are given in note 5 to the annual financial statements on pages 80 and 81 respectively.

Issues and redemptions during the year

The Company issued 970 364 ordinary shares of 5 cents each during the year to The Anglovaal Industries Limited Share Purchase Trust in order to provide for the exercise of share options.

A summary of the movement in the number of ordinary shares in issue during the year is given in Note 5 to the financial statements on page 82.

The 1 000 variable rate cumulative preference shares that were issued on 26 April 2001 to former subsidiary company, Consol Limited, were redeemed by the Company on 1 November 2004.

During the year, the Company redeemed 178 077 convertible redeemable preference shares at par plus the premium on the initial subscription price (an aggregate of 90 cents per share) and 4 102 convertible redeemable preference shares at the par value of 20 cents per share, as a result of the termination of the employment of certain participants.

Repurchase and cancellation of treasury shares

Pursuant to the unbundling of Consol Limited, the Company was authorised by its shareholders to repurchase 27 369 006 of its own shares that were held by its wholly-owned subsidiary, Anglovaal Industries Investments (Pty) Limited. These shares were then cancelled and withdrawn from the JSE.

Conversion of convertible redeemable preference shares

On 10 February 2005, 507 128 convertible redeemable preference shares converted to 2 028 512 ordinary shares in terms of the AVI Limited Equity Participation Plan.

General authority for the Company to acquire its own shares

The directors consider that it will be advantageous for the Company to have a general authority to acquire its own shares. Such authority will be utilised if the directors consider that it is in the best interests of the Company and shareholders to effect any such acquisitions having regard to prevailing circumstances and the cash resources of the Company at the appropriate time. Accordingly, shareholders will be asked to approve such general authority at the annual general meeting.

DIVIDENDS

Dividends, paid and proposed, are disclosed in note 19 to the annual financial statements on page 97.

DIRECTORATE

There were no changes to the Board in the year under review.

In terms of the Company's Articles of Association, Messrs AWB Band, SL Crutchley and AR Evans retire at the forthcoming annual general meeting. All the retiring directors, being eligible, offer themselves for re-election.

INTERESTS OF THE DIRECTORS

The interests of the directors in the issued listed securities of the Company as at 30 June 2005 and 30 June 2004, being ordinary shares of 5 cents each, are as follows:

	Direct	Beneficial Indirect	% of total
At 30 June 2005			
AWB Band	939 984	–	0,3
SL Crutchley	256 026	–	0,1
RC Gordon	240 820	–	0,1
PM Goss	–	230 400	0,1
RS Katzen	287 366	–	0,1
Total	1 724 196	230 400	0,6
At 30 June 2004			
AWB Band	995 201	–	0,3
SL Crutchley	246 250	–	0,1
RC Gordon	235 079	–	0,1
PM Goss	–	222 900	0,1
JR Hersov	–	50 000	–
RS Katzen	466 461	–	0,1
Total	1 942 991	272 900	0,7

The direct beneficial interests of the directors in the convertible redeemable preference shares of 20 cents each are as follows:

	Number of convertible redeemable preference shares	% of total issued
At 30 June 2005		
AWB Band	46 399	18,8
SL Crutchley	40 918	16,5
RS Katzen	25 854	10,4
Total	113 171	45,7
At 30 June 2004		
AWB Band	99 141	10,6
SL Crutchley	83 112	8,9
RC Gordon	46 806	5,0
RS Katzen	52 928	5,6
Total	281 987	30,1

The Company has not been advised of any changes in the above interests in ordinary or convertible redeemable preference shares during the period 1 July 2005 to the date of this report.

SHARE INCENTIVE SCHEMES

At the general meeting of shareholders called to approve the unbundling of Consol Limited, shareholders approved amendments to the share incentive schemes to ensure, where possible, that participants in the share incentive schemes were placed in the same position that they would have been but for the unbundling of Consol.

As a consequence the original exercise price of the outstanding options was split between AVI and Consol, based upon the five-day volume weighted average price at which the respective shares traded. The combined exercise price for the unvested scheme shares and immediate delivery shares remained unchanged encompassing separate AVI and Consol values.

A summary of the movements and the impact of these amendments is set out in the tables below.

The Anglovaal Industries Limited Share Incentive Scheme

Date of grant	Exercise price	Movement during the year				Options and/or unvested scheme shares outstanding at 30 June 2005	Revised exercise price post-Consol unbundling	Revised number of options and/or unvested scheme shares outstanding at 30 June 2005
		Options and/or unvested scheme shares outstanding at 30 June 2004	Exercised/ vested No.	Relinquished No.	Transferred to Consol Limited No.			
July 1999	R2,40	86 566	(86 566)	-	-	-	-	-
October 1999	R4,05	135 298	(135 298)	-	-	-	-	-
May 2000	R5,70	54 790	(54 790)	-	-	-	-	-
September 2000	R6,70	43 991	(14 438)	(29 553)	-	-	-	-
November 2000	R7,09	744 792	(376 674)	-	(10 702)	357 416	R7,09	122 862
November 2000							R4,08	301 613
November 2000	R7,24	170 580	(85 290)	-	-	85 290	R7,24	85 290
June 2001	R9,00	403 808	(274 120)	-	-	129 688	R9,00	129 688
September 2001	R10,80	966 103	(378 079)	-	(21 402)	566 622	R10,80	449 958
September 2001							R6,21	116 664
November 2001	R11,60	107 381	(53 573)	-	-	53 808	R11,60	20 539
November 2001							R6,67	57 829
December 2001	R12,84	15 432	(7 716)	-	-	7 716	R7,39	13 412
April 2002	R13,48	15 254	(5 084)	-	-	10 170	R13,48	1 964
April 2002							R7,76	14 260
May 2002	R13,60	36 642	(18 320)	-	-	18 322	R7,82	31 847
May 2002	R13,40	94 666	(46 220)	-	-	48 446	R13,40	15 844
August 2002	R13,00	115 525	(28 881)	(28 136)	(58 508)	-	R7,71	46 477
		2 990 828	(1 565 049)	(57 689)	(90 612)	1 277 478		1 408 247

The options and/or scheme shares are available to be exercised as follows: 25% on the second anniversary of the date of granting of rights, 25% on the third anniversary, 25% on the fourth anniversary and 25% on the fifth anniversary. Any options and/or scheme shares not exercised on the tenth anniversary of such date of granting of rights will lapse.

The interests of the directors are given on page 51 in the directors' remuneration report.

The Anglovaal Industries Limited Executive Share Incentive Scheme

Date of granting of rights	Exercise price	Options and/or immediate shares outstanding at 30 June 2004 No.	Movement during the year				Options and/or unvested immediate shares outstanding at 30 June 2005 No.	Revised exercise price post-Consol Limited unbundling	Revised number of options and/or immediate shares outstanding at 30 June 2005 No.
			Exercised/ vested No.	Relinquished No.	Granted No.	Transferred to Consol Limited No.			
10 Jan 2003	R14,22	382 997	(35 965)	–	–	(13 814)	333 218	R14,22 R8,18	268 380 100 571
1 Jul 2003	R14,83	342 528	–	(35 615)	–	(16 775)	290 138	R14,83 R8,53	162 519 195 245
1 Jan 2004	R16,60	600 152	(46 405)	–	–	(26 154)	527 593	R16,60 R9,55	369 415 258 486
1 Jul 2004	R17,42	–	–	–	375 568	–	375 568	R17,42 R10,02	73 245 364 284
31 May 2005	R12,62	–	–	–	2 186 609	–	2 186 609	R12,62	2 186 609
		1 325 677	(82 370)	(35 615)	2 562 177	(56 743)	3 713 126		3 978 754

The options and/or immediate shares are available to be exercised in their entirety in all cases three years after the effective date of granting of rights. Any options and/or immediate shares not exercised on the tenth anniversary of such date will lapse. The exercises in the current year represent the portion permissible to be exercised on the retirement of certain participants.

THE AVI LIMITED EQUITY PARTICIPATION PLAN ("THE PLAN")

Participants in the Plan have been issued convertible redeemable preference shares of 20 cents each at a premium of 70 cents each as follows:

	Number of shares in issue
At 30 June 2004	936 739
Converted into ordinary shares during the year	(507 128)
Redeemed and cancelled during the year	(182 179)
At 30 June 2005	247 432

Sufficient ordinary shares in the authorised and unissued capital of the Company were placed under the control of the directors with specific authority to allot and issue them in terms of the Company's existing share incentive schemes ("the Schemes"). The total number of shares, options or preference shares convertible into ordinary shares which may be allocated for purposes of the Schemes may not exceed 5 percent (presently 15 781 695 ordinary shares and/or convertible redeemable preference shares) of the total issued ordinary and convertible redeemable preference share capital of the Company from time to time. Each participant may not acquire shares or options under the Schemes which would amount in aggregate to more than 2 percent (presently 6 312 678 ordinary shares and/or convertible redeemable preference shares) of the total issued ordinary and convertible redeemable preference share capital of the Company. The total number of shares and options outstanding as at 30 June 2005 is 5 369 573, which equates to 1,7% of the issued share capital.

MATERIAL SHAREHOLDERS

The Company does not have a holding company.

Ordinary shares

The beneficial holders of 5 percent or more of the issued ordinary shares of the Company at 30 June 2005, according to the information available to the directors were:

	Number of ordinary shares	%
Public Investment Commission	39 615 923	12,6
Liberty Life Association of Africa	21 176 947	6,7
Corolife Managed Pension Fund	16 793 012	5,3

Convertible redeemable preference shares

These shares were issued to participants in the Anglovaal Industries Limited Equity Participation Plan. Apart from the holdings of the directors of the Company given under the "Interests of the directors" above, the following Group employees owned in excess of 5 percent or more of this class of issued preference shares:

	Number of convertible redeemable preference shares	% of total
MA Blanckenberg	13 265	5,4
PR Jordi	22 456	9,1
RT Lunt	13 352	5,4
CB Sampson	24 053	9,7
RG Williams	13 348	5,4
Total	86 474	35,0

SPECIAL RESOLUTIONS PASSED BY THE COMPANY AND REGISTERED BY THE REGISTRAR OF COMPANIES

The following special resolutions have been passed by the Company since the previous directors' report dated 9 September 2004 to the date of this report:

- To divide the authorised share capital of the Company in order to facilitate the Consol Limited unbundling.
- To authorise the Company to acquire 27 369 006 of its own ordinary shares from its wholly-owned subsidiary, Anglovaal Industries Investments (Pty) Limited, as a specific approval in terms of section 85 of the Companies Act.
- To alter certain provisions of the Company's Articles of Association relating to share incentive schemes pursuant to the Consol Limited unbundling.

POST-BALANCE SHEET EVENTS

Apart from the following transaction, no significant events have occurred since the balance sheet date:

The Company acquired control of A&D Spitz (Pty) Limited effective 2 July 2005. The initial payment of R257,7 million for 60% of the equity shares was made on 13 August 2005. The final payment for the remaining 40% will be determined following the preparation of audited financial statements for the year ended 30 June 2007 in terms of a specific formula.

DIRECTORS' REMUNERATION REPORT

SHARE INCENTIVE SCHEME INTERESTS

The AVI Limited Share Incentive Schemes

Name	Exercise price per share	Options and/or unvested immediate/scheme shares outstanding at 30 June 2004 No.	Granted No.	Exercised/ vested No.	Options and/or unvested immediate/scheme shares outstanding at 30 June 2005 No.	Revised exercise price post Consol Limited unbundling	Revised number of options and/or unvested immediate/scheme shares outstanding at 30 June 2005 No.
AWB Band	R7,09	177 564		(88 782)	88 782	R7,09	88 782
	R10,80	239 071		(79 690)	159 381	R10,80	159 381
	R14,22	79 114		-	79 114	R14,22	79 114
	R16,60	69 600		-	69 600	R16,60	69 600
SL Crutchley	R7,09	128 438		(42 812)	85 626	R4,08	85 626
	R9,00	150 000		(75 000)	75 000	R9,00	75 000
	R10,80	64 219		(21 407)	42 812	R10,80	42 812
	R14,22	42 194			42 194	R14,22	42 194
	R16,60	40 919			40 919	R16,60	40 919
	R17,42		114 285		114 285	R10,02	114 285
RC Gordon	R12,62		211 953		211 953	R12,62	211 953
	R7,09	107 193		(53 596)	53 597	R4,08	93 164
	R10,80	160 789		(53 596)	107 193	R10,80	107 193
	R14,22	11 702			11 702	R14,22	11 702
	R16,60	54 231			54 231	R16,60	54 231
RS Katzen	R12,62		133 044		133 044	R12,62	133 044
	R9,00	109 376		(54 687)	54 689	R9,00	54 689
	R13,40	31 688		(15 844)	15 844	R13,40	15 844
	R14,83	72 351			72 351	R8,53	125 763
	R17,42		67 759		67 759	R10,02	117 781
	R12,62		141 968		141 968	R12,62	141 968
		1 538 449	669 009	(485 414)	1 722 044		1 865 045

1. R7,09 options (repriced R4,08) – The balance is exercisable on 8 November 2005. Any balance not exercised by 8 November 2010 will lapse.
2. R9,00 – The balance is exercisable on 15 June 2006. Any balance not exercised by 15 June 2011 will lapse.
3. R10,80 – 50 percent of the outstanding options are exercisable on 27 September 2005, with the remaining exercisable on 27 September 2006. Any balance not exercised by 27 September 2011 will lapse.
4. R13,40 – 50 percent of the outstanding options are exercisable on 14 June 2006, with the remaining 50% exercisable on 14 June 2007. Any balance not exercised by 14 June 2012 will lapse.
5. R14,22 – The options are exercisable in their entirety on 10 January 2006.

SHARE INCENTIVE SCHEME INTERESTS continued

6. R14,83 options (repriced R8,53) – The options are exercisable in their entirety on 1 July 2006.

7. R16,60 – The options are exercisable in their entirety on 1 January 2007.

8. R17,42 options (repriced R10,02) – The options are exercisable in their entirety on 1 July 2007.

9. R12,62 – The options are exercisable in their entirety on 31 May 2008.

- None of the non-executive directors have share incentive scheme interests.
- There is a phantom share incentive scheme in a subsidiary in which Mr RC Gordon participates.
- The shareholdings of the directors, including their interest in the convertible redeemable preference shares issued in terms of the AVI Limited Equity Participation Plan, are given in the directors' report on page 51.

EMOLUMENTS

Paid to directors of the Company by the Company and its subsidiaries

	Salary R'000	Bonus and performance related payments R'000	Pension fund contri- butions R'000	2005 Gains on exercise of share options R'000	Other benefits and allowances R'000	Total R'000	2004 R'000
Executive directors							
AWB Band (Note)	2 092	400	249	–	209	2 950	2 985
SL Crutchley	1 580	768	216	715	218	3 497	2 200
RC Gordon	1 770	242	209	895	143	3 259	2 120
RS Katzen	1 034	300	142	–	173	1 649	1 598
	6 476	1 710	816	1 610	743	11 355	8 903
<i>Note:</i>							
<i>AWB Band encashed untaken leave to the value of R165 000 in the year ended 30 June 2004.</i>							
Non-executive directors' and committee fees							
AJ Ardington (chairman)						380	230
PM Bester						140	120
CJ Brimacombe						–	36
MH Buthelezi						134	–
NJM Canca						125	–
AR Evans						145	110
KA Fihla						100	–
PM Goss						134	105
JR Hersov						100	80
SD Jagoe						158	120
TH Nyasulu						–	80
BT Wood						160	120
						1 576	1 001
						12 931	9 904

Details relating to the Group's remuneration practices are set out in the Corporate Governance Statement on pages 17 to 18.

SEGMENTAL INFORMATION

FOR THE YEARS ENDED 30 JUNE

	CONTINUING OPERATIONS											
	Food brands								Semi-durable brands		Total	
	Fresh-to-market			Frozen foods		Groceries			Cosmetics			
	Denny Mushrooms	The Real Beverage Co.		Irvin & Johnson		National Brands Limited		Indigo Cosmetics				
	2005 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm	
Revenue	230,1	217,3	155,0	1 379,6	1 437,0	2 482,1	2 346,0	465,8	446,9	4 774,9	4 384,9	
Segmental result												
Operating profit/(loss) before capital items	27,8	(0,2)	(2,5)	84,3	121,7	301,1	233,5	47,0	46,0	460,0	398,7	
Share of equity accounted earnings of joint ventures	-	-	-	1,2	3,8	-	-	-	-	1,2	3,8	
Operating profit from ordinary activities	27,8	(0,2)	(2,5)	85,5	125,5	301,1	233,5	47,0	46,0	461,2	402,5	
Segmental assets												
Tangible – non-current	64,8	30,3	20,9	598,7	585,5	384,3	358,7	62,4	61,3	1 140,5	1 026,4	
– current	66,5	36,9	33,4	481,1	471,4	490,7	494,9	196,4	196,6	1 271,6	1 196,3	
Goodwill	1,4	18,4	19,7	2,8	-	29,7	29,7	-	-	52,3	49,4	
Fishing rights	-	-	-	96,5	96,1	-	-	-	-	96,5	96,1	
Trademarks	-	10,5	8,0	0,1	-	35,5	35,5	66,1	66,0	112,2	109,5	
Cash and cash equivalents	5,4	3,2	7,2	121,0	123,4	300,9	328,4	3,2	0,8	433,7	459,8	
Deferred taxation	1,0	12,4	10,7	34,5	13,6	39,1	52,1	-	3,6	87,0	80,0	
	139,1	111,7	99,9	1 334,7	1 290,0	1 280,2	1 299,3	328,1	328,3	3 193,8	3 017,5	
Investment in joint ventures	-	-	-	162,8	143,6	-	-	-	-	162,8	143,6	
Total assets	139,1	111,7	99,9	1 497,5	1 433,6	1 280,2	1 299,3	328,1	328,3	3 356,6	3 161,1	
Segmental liabilities												
Interest bearing	60,3	117,6	79,9	115,1	162,9	30,9	36,4	33,9	36,3	357,8	315,5	
Non-interest bearing	32,9	21,9	27,2	203,6	203,1	471,3	435,5	218,6	232,7	948,3	898,5	
Provisions	3,7	1,0	1,0	208,0	200,5	65,3	62,6	3,0	2,8	281,0	266,9	
Taxation – current and deferred	17,5	2,2	5,1	76,1	47,8	8,1	59,8	13,2	10,6	117,1	123,3	
Total liabilities	114,4	142,7	113,2	602,8	614,3	575,6	594,3	268,7	282,4	1 704,2	1 604,2	
Capital expenditure												
To maintain operations	7,1	11,3	-	49,2	34,7	37,5	27,6	10,1	16,8	115,2	79,1	
To expand operations	4,7	-	14,1	23,0	22,9	48,4	47,3	4,7	8,6	80,8	92,9	
	11,8	11,3	14,1	72,2	57,6	85,9	74,9	14,8	25,4	196,0	172,0	
Depreciation	10,6	5,4	2,9	56,7	58,4	56,6	54,0	13,6	15,9	142,9	131,2	
Number of employees at year-end	1 157	450	333	5 119	4 676	2 164	2 150	409	403	9 299	7 562	
Operating capital employed ¹	99,8	64,5	31,8	1 116,1	1 141,9	476,1	461,9	98,8	66,9	1 855,3	1 702,5	

Notes:

1. Operating capital employed is the average of the book value of the total assets, excluding cash and cash equivalents and deferred taxation, less the average of non-interest bearing liabilities.
2. The segmental results for 2005 for Consol Limited are in respect of the eight-month period to 28 February 2005, the effective date of that company's unbundling.
3. The segmental results for 2005 for Vector Logistics (Pty) Limited are in respect of the five-month period to 2 December 2004, the date of sale of the company.
4. A decision has been made to dispose of the pelagic fishing operations and consequently the results of this operation have been disclosed as discontinued in both years.

CONTINUING OPERATIONS				DISCONTINUED OPERATIONS							
Corporate and management companies		Consolidation entries, adjustments and intra-group eliminations		Packaging		Logistics		Fishing Pelagic operations		TOTAL	
2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm
86,7	83,9	(71,2)	(83,7)	1 547,5	2 117,1	200,4	429,7	47,0	96,5	6 585,3	7 028,4
9,1	7,1	-	-	350,5	480,9	32,8	69,4	(11,9)	(12,8)	840,5	943,3
-	-	-	-	-	-	-	-	-	-	1,2	3,8
9,1	7,1	-	-	350,5	480,9	32,8	69,4	(11,9)	(12,8)	841,7	947,1
1 139,6	1 833,0	(1 047,1)	(1 768,7)	-	1 126,2	-	132,1	-	16,5	1 233,0	2 365,5
184,2	243,5	(185,9)	(365,4)	-	757,0	-	412,5	41,4	21,5	1 311,3	2 265,4
-	-	53,7	7,5	-	-	-	-	-	-	106,0	56,9
-	-	-	-	-	-	-	-	-	-	96,5	96,1
-	-	106,1	-	-	-	-	-	-	-	218,3	109,5
301,4	253,1	(303,1)	(664,0)	-	266,5	-	333,1	16,7	26,0	448,7	674,5
4,8	3,2	10,2	3,1	-	-	-	17,9	-	-	102,0	104,2
1 630,0	2 332,8	(1 366,1)	(2 787,5)	-	2 149,7	-	895,6	58,1	64,0	3 515,8	5 672,1
-	-	-	-	-	-	-	-	-	-	162,8	143,6
1 630,0	2 332,8	(1 366,1)	(2 787,5)	-	2 149,7	-	895,6	58,1	64,0	3 678,6	5 815,7
303,0	664,0	(469,9)	(886,2)	-	134,9	-	-	-	-	190,9	228,2
28,8	39,5	(121,1)	(228,9)	-	261,1	-	533,4	12,6	11,3	868,6	1 514,9
4,6	3,7	-	-	-	64,5	-	25,3	-	-	285,6	360,4
9,1	10,5	43,8	9,2	-	130,4	-	1,1	-	-	170,0	274,5
345,5	717,7	(547,2)	(1 105,9)	-	590,9	-	559,8	12,6	11,3	1 515,1	2 378,0
0,3	0,3	-	(3,6)	116,1	246,5	7,4	13,1	12,8	3,6	251,8	339,0
10,8	4,2	-	-	22,4	252,8	-	8,8	-	-	114,0	358,7
11,1	4,5	-	(3,6)	138,5	499,3	7,4	21,9	12,8	3,6	365,8	697,7
5,0	4,4	-	-	135,8	161,3	6,6	15,0	-	8,2	290,3	320,1
141	131	-	-	-	2 276	-	1 610	103	182	9 543	11 761

SEGMENTAL INFORMATION CONTINUED

FOR THE YEARS ENDED 30 JUNE

	2005		2004	
	Rm	%	Rm	%
GEOGRAPHICAL SEGMENTS				
CONTINUING OPERATIONS				
Revenue by market				
The Group's consolidated turnover by geographical market, regardless of where the goods were produced was as follows:				
South Africa	3 680,6	76,8	3 222,1	73,5
Exports from South Africa	683,7	14,3	709,6	16,2
International operations	426,1	8,9	453,4	10,3
	4 790,4	100,0	4 385,1	100,0
Operating profit by market				
South Africa	366,2	78,0	269,9	66,5
Exports from South Africa	64,8	13,8	82,6	20,4
International operations	38,1	8,2	53,3	13,1
	469,1	100,0	405,8	100,0
Analysis of subsidiary operating assets by geographical area				
South Africa	2 580,9	76,9	2 367,0	74,9
South America	392,7	11,7	404,3	12,8
Europe	146,6	4,4	175,8	5,5
Other	236,4	7,0	214,0	6,8
	3 356,6	100,0	3 161,1	100,0

INTER-SEGMENTAL TRANSFERS

Segmental revenue, segmental expenses and segmental results include transfers between business segments and between geographical segments. These transfers occur at arm's length and are eliminated on consolidation, with the exception of the fee payable by Irvin & Johnson Holding Company (Pty) Limited to Vector Logistics (Pty) Limited, up to the date of disposal of that company, for the distribution of its seafoods products which amounted to R18,9 million (2004: R48,4 million).

AVI Limited (the "Company") is a South African registered company. The consolidated financial statements of the Company for the year ended 30 June 2005 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the interpretations adopted by the International Accounting Standards Board ("IASB") and the requirements of the South African Companies Act.

The Group has elected to adopt IFRS for the year ended 30 June 2005. The financial statements for the year ended 30 June 2005 will be the Group's first consolidated financial statements prepared in compliance with IFRS and hence IFRS 1 – First time adoption of IFRS – has been applied in preparing these financial statements. The Group has adopted all applicable IFRS issued or revised up to 30 June 2005. An explanation of how the transition to IFRS has affected the reported financial position and performance of the Group is provided in the supplementary notes on pages 109 to 113.

The Group has simultaneously changed the interpretation of the basis of the straight-line recognition of operating lease payments as more fully explained in the supplementary note on page 113.

The change in interpretation of the criteria required to derecognise part of an equity interest in the Group's subsidiaries upon disposal and the recognition of share based payments relating to Black Economic Empowerment ("BEE") transactions has been more fully explained in Note 22.

BASIS OF PREPARATION

The annual financial statements are prepared in millions of South African Rands ("Rm") on the historical cost basis, except for certain financial and equity instruments recognised at fair value as stated below.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets,

liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS are advised in the supplementary notes on pages 109 to 113.

The accounting policies set out below have been applied consistently to the periods presented in these consolidated financial statements and in preparing the opening IFRS balance sheet at 1 July 2003 for the purposes of transition to IFRS.

The accounting policies have been applied consistently by all Group entities.

BASIS OF CONSOLIDATION

Subsidiaries

The Group financial statements include the financial statements of the Company and its subsidiaries. Where an investment in a subsidiary is acquired or disposed of during the financial year its results are included from, or to, the date control commences or ceases.

Subsidiaries are those entities over whose financial and operating policies the Group has the power to exercise control, so as to obtain benefits from their activities.

Associated companies and joint ventures

An associated company is an enterprise over whose financial and operating policies the Group has the ability to exercise significant influence, but not control. A joint venture is an enterprise over whose financial and operating policy decisions the Group has the ability to exercise joint control in terms of a contractual arrangement.

The Group's share of post-acquisition reserves of associated companies is equity accounted from the date that significant influence commences to the date that significant influence ceases. The Group's attributable share of post-acquisition reserves of joint ventures is equity accounted from the date that joint control commences to the date that joint control ceases.

If an associated company or joint venture applies accounting policies that are recognised as being materially different to those adopted by the Group, appropriate adjustments are made to the financial statements where it is practicable to do so prior to equity accounting.

Certain associated companies and joint ventures do not have common accounting dates. In those cases the most recent available audited financial statements are used. Adjustments are made for the effects of any significant events or transactions occurring between the year-end of the associated company and joint venture and the year-end of the Group when the financial information used is not co-terminous.

Where the Group's share of losses of an associated company or joint venture exceeds the carrying amount, the investment is carried at nil. Additional losses are only recognised to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of associates or joint ventures.

Eliminations on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associated companies and joint ventures are eliminated to the extent of the Group's interest against the investment in these enterprises. Unrealised losses on transactions with associated companies and joint ventures are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Goodwill

All business combinations are accounted for by applying the "purchase method". Goodwill represents amounts arising on the acquisition of subsidiaries,

associates and joint ventures. In respect of business combinations that have occurred since the IFRS transition date, 1 July 2003, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets and liabilities and contingent liabilities acquired.

The Group made an election in terms of IFRS 1 that in respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under South African Generally Accepted Accounting Practice ("SA GAAP"). The classification and accounting treatment of business combinations that occurred prior to 1 July 2003 has not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 July 2003.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the income statement as a capital item.

Previously goodwill arising on each acquisition was amortised over its estimated useful life on a straight line basis and subjected to annual impairment testing.

Premiums and discounts arising on subsequent purchase from or sales to minority interests in subsidiaries

Following the presentation of minority interests in equity any increases and decreases in ownership interests in subsidiaries without a change in control are recognised as equity transactions in the consolidated financial statements. Accordingly, any premiums or discounts on subsequent purchases of equity instruments from or sales of equity instruments to minority interests are recognised directly in the equity of the parent shareholder.

Previously premiums or discounts on subsequent purchases of equity instruments from minorities were recognised as goodwill and premiums or discounts on subsequent sales of equity instruments to minorities were taken to profit or loss as a capital item in the income statement.

Business combinations involving entities under common control

Business combinations involving entities or businesses under common control comprise business combinations where both entities remain under the ultimate control of the Group before and after the combination, and that control is not transitory.

The assets and liabilities in common control transactions within the Group are transferred at existing book value.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition or construction of an asset that requires a substantial period of time to prepare for its intended use are capitalised.

CAPITAL ITEMS

Capital items are items of income and expense relating to the acquisition, disposal or impairment of investments, businesses, property, plant and equipment and intangible assets as well as the impairment of goodwill.

DISCONTINUED OPERATIONS

A discontinued operation is a clearly distinguishable component of the Group's business that is abandoned or disposed of pursuant to a single plan and which represents a separate major line of business or geographical area of operation that can be distinguished physically, operationally and for financial reporting purposes.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

DIVIDENDS PAYABLE

Dividends payable and any Secondary Tax on Companies pertaining thereto are recognised in the period in which such dividends are declared.

EMPLOYEE BENEFITS

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to salaries, performance bonuses and annual leave represent the amounts which the Group has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated based on salary rates at the balance sheet date.

Retirement benefits

The Group provides defined contribution funds for the benefit of employees, the assets of which are held in separate funds. These funds are funded by payments from employees and the Group. The Group's contributions to defined contribution funds are charged to the income statement in the year to which they relate.

Defined benefit obligations

The Group's obligation to provide post-retirement medical aid benefits are defined benefit obligations. The projected unit credit method is used to determine the present value of the defined benefit obligations, the related current service cost and, where applicable, the past service cost.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested, past service costs are recognised immediately.

The Group made an election in terms of IFRS 1 that previously unrecognised actuarial gains and losses on defined benefit plans as at 1 July 2003, the date of transition to IFRS, were recognised directly against retained earnings in determining the opening IFRS balance sheet at that date.

Actuarial gains and losses that arose subsequent to 1 July 2003 in respect of defined benefit obligations are recognised as income or an expense if the net cumulative unrecognised actuarial gains and losses at

the end of the previous financial year exceeded the greater of:

- 10 percent of the present value of the defined benefit obligation at that date before deducting plan assets, and
- 10 percent of the fair value of any plan assets at that date.

The amount recognised is the excess determined above, divided by the expected average remaining working lives of the employees participating in that plan.

Share based payment transactions

The fair value of share options and convertible preference shares granted to Group employees is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period during which the employee becomes unconditionally entitled to the equity instruments. The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met. This accounting policy has been applied to all equity instruments granted after 7 November 2002 that had not yet vested at 1 January 2005. The fair value of share based payments was not recognised under the Group's previous accounting policies.

FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to manage its exposure to foreign exchange and commodity price risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for dealing purposes.

Financial instruments are recognised initially at cost. Subsequent to initial recognition these instruments are measured as detailed below.

Financial assets

Financial assets are recognised when the Group has rights or other access to economic benefits. Such

assets consist of cash and cash equivalents, a contractual right to receive cash or another financial asset or a contractual right to exchange financial instruments with another entity on potentially favourable terms.

Other investments

Investments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.

Other investments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and foreign exchange gains or losses, which are recognised in the income statement. When these investments are disposed of, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement as a capital item. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

Trade and other receivables

Trade and other receivables are stated at cost less a provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value. Fair value adjustments are recognised in the income statement.

Financial liabilities

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities other than derivative instruments are measured at amortised cost.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivative instruments

Derivative instruments comprise foreign exchange contracts and are measured at fair value. Fair value is determined by comparing the contracted forward rate to the current forward rate of an equivalent foreign exchange contract with the same maturity date.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship are recognised in the income statement in the year in which the change arises.

Hedging

Gains and losses from measuring the hedging instruments relating to a fair value hedge at fair value are recognised immediately in the income statement.

Gains and losses from remeasuring the hedging instruments relating to a cash flow hedge to fair value are initially recognised directly in equity. If the hedged firm commitment or forecast transaction results in the recognition of an asset or a liability, the cumulative amount recognised in equity up to the transaction date is adjusted against the initial measurement of the asset or liability. For other cash flow hedges, the cumulative amount recognised in equity is recognised in the income statement in the period when the commitment or forecast transaction affects the income statement.

Where the hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative unrealised gain or loss at that point remains in equity and is recognised in the income statement when the underlying transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised in the income statement immediately.

FOREIGN CURRENCIES

Foreign currency transactions

Transactions in foreign currencies are translated at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the financial year are translated to Rands at the rates ruling at that date. Gains or losses on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction.

Financial statements of foreign operations

The assets and liabilities of all foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Rands at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Rands at approximate foreign exchange rates ruling at the date of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate component of equity – foreign currency translation reserve. The foreign currency translation reserve applicable to a foreign operation is released to the income statement upon disposal of that foreign operation.

The Group has made an election in terms of IFRS 1 that cumulative foreign currency translation reserves in existence at the transition date, 1 July 2003, arising from the previous application of SA GAAP have been recognised in retained earnings in determining the opening IFRS balance sheet at that date.

Previously the non-monetary assets and liabilities of all foreign subsidiaries considered to be integrated foreign operations were translated at historic exchange rates, and the foreign exchange gains and losses arising on translation of monetary assets and liabilities at year-end rates were recognised in the income statement as investment income/(losses).

IMPAIRMENT OF ASSETS

The carrying amounts of the Group's assets other than deferred tax assets, inventories and receivables which are separately assessed and provided against where necessary, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated.

The recoverable amount is the higher of its net selling price and its value in use. Impairment losses are recognised in the income statement as a capital item.

For goodwill and assets that have an indefinite useful life the recoverable amount is estimated annually.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Goodwill and indefinite-life intangible assets were tested for impairment at 1 July 2003, the date of transition to IFRS, and no indication of impairment was evident.

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

INTANGIBLE ASSETS

Intangible assets, excluding goodwill, acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Where the useful life of an intangible asset is assessed as indefinite, the intangible asset is not amortised, but is tested annually for impairment.

Subsequent expenditure on acquired intangible assets is capitalised only when it increases the future

economic benefits embodied in the specific asset to which it relates.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and expenditure on internally generated goodwill and brands, is recognised in the income statement as an expense when incurred.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value.

The cost of inventories is based on the first-in, first-out method or a weighted average cost basis whichever is applicable, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Inventories include biological assets which are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

INVESTMENTS IN SUBSIDIARY COMPANIES

Investments in subsidiary companies are stated at cost, less amounts written off and provisions for any diminution in value.

LEASE PAYMENTS

Operating lease payments

Payments made under operating leases with fixed escalation clauses are recognised in the income statement on a straight-line basis over the term of the lease.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability. The finance charge is allocated to each period during the lease period so as

to produce a constant periodic rate of interest on the remaining balance of the liability.

NON-CURRENT ASSETS HELD-FOR-SALE

Immediately before classification as held-for-sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date. Upon initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held-for-sale and gains and losses on subsequent remeasurement are included in the income statement as capital items.

PROPERTY, PLANT AND EQUIPMENT

Owned assets

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Vessels

Major vessel reconstructions are capitalised where such reconstruction extends the useful life of a vessel. The reconstruction is written off over the remaining expected useful life of the vessel.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Other leases, which do not transfer substantially all the risks and rewards of ownership, are treated as operating leases with lease payments charged against operating profit.

Depreciation

Land is not depreciated. Freehold buildings, plant and equipment are depreciated on a straight-line basis over their expected useful lives to an estimated residual value. The estimated useful lives are as follows:

- Buildings 40 – 50 years
- Plant and machinery 5 – 20 years
- Motor vehicles – trucks 4 – 8 years
- other 3 – 5 years
- Furniture and equipment 3 – 10 years
- Vessels – hull 20 years
- other components 5 – 10 years.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Residual values and useful lives of all assets are reassessed annually. In addition, depreciation of an item of property, plant and equipment is to begin when it is available for use and ceases at the earlier of the date it is classified as held-for-sale or the date that it is derecognised upon disposal.

Previously parts of an item of property, plant and equipment were accounted for as a combined unit and were depreciated over the estimated useful life of the item. Depreciation commenced when the item of property, plant and equipment was commissioned for use and suspended when the asset was taken out of use.

PROVISIONS

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and has either started to implement the plan or announced its main features to those affected by it.

REVENUE RECOGNITION

Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably.

Goods and services

Revenue arising from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue from services, including the distribution of third party products, is recognised over the period the services are rendered.

Dividends

Dividends are recognised when the right to receive payment is established, with the exception of dividends on preference share investments which are recognised on a time proportion basis in the period to which they relate.

Interest

Interest is recognised on a time proportion basis that takes account of the effective yield on the asset.

SEGMENTAL REPORTING

A segment is a distinguishable component of the Group that is engaged in providing products or services which are subject to risks and rewards that are different from those of other segments. The basis of segment reporting is representative of the internal structure used for management reporting.

Segment results include revenue and expenses directly attributable to a segment whether from external transactions or from transactions with other Group segments.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

SHARE CAPITAL

Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in the income statement as interest expense.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares held by subsidiaries are classified as treasury shares and presented as a deduction from total equity.

TAXATION

Taxation on the profit or loss for the year comprises current and deferred taxation. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current taxation comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted or substantially enacted at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred taxation is provided using the comprehensive basis based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date.

Deferred taxation is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, in which case it is recognised in equity, or a business combination that is

an acquisition, in which case it is recognised as an adjustment to goodwill. The effect on deferred taxation of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group has adopted the requirements of the interpretation statement AC501 – Accounting for Secondary Tax on Companies (“STC”) whereby a deferred taxation asset is recognised on all unutilised STC credits held by the Group. Previously unutilised STC credits were only brought to account when they were utilised upon declaration of dividends payable.

BALANCE SHEETS

AT 30 JUNE

	Note	Group		Company	
		2005 Rm	2004 Rm	2005 Rm	2004 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	1	1 143,2	2 287,0	-	-
Intangible assets	2	420,8	262,5	-	-
Joint ventures	Page 106	162,8	143,6	-	-
Other investments	Page 108	89,8	78,5	197,8	142,9
Subsidiary companies	Page 104			1 108,1	1 604,9
Deferred taxation	8	102,0	104,2	-	-
		1 918,6	2 875,8	1 305,9	1 747,8
Current assets					
Non-current assets held for resale	13.3	24,5	-	-	-
Inventories	3	500,0	890,2	-	-
Trade and other receivables	4	786,8	1 375,2	44,4	34,9
Cash and cash equivalents		448,7	674,5	0,1	100,1
		1 760,0	2 939,9	44,5	135,0
Total assets		3 678,6	5 815,7	1 350,4	1 882,8
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	5	15,9	17,2	15,9	17,2
Share premium	5	-	300,7	-	300,7
Treasury shares	5	(51,7)	(342,4)	-	-
Premium on minority equity transactions		(2,7)	-	-	-
Reserves	6	(22,3)	(11,0)	6,4	5,7
Retained earnings		2 227,2	3 163,4	1 198,3	1 257,4
Minority interests		(2,9)	309,8		
Total equity		2 163,5	3 437,7	1 220,6	1 581,0
Non-current liabilities					
Interest bearing borrowings	7	112,4	155,8	-	200,0
Deferred taxation	8	134,3	194,9	-	-
Provisions	9	268,4	339,2	-	-
		515,1	689,9	-	200,0
Current liabilities					
Trade and other payables	10	885,8	1 536,1	9,6	10,5
Corporate taxation		35,7	79,6	-	-
Short-term borrowings	11	78,5	72,4	120,2	91,3
		1 000,0	1 688,1	129,8	101,8
Total equity and liabilities		3 678,6	5 815,7	1 350,4	1 882,8

INCOME STATEMENTS

FOR THE YEARS ENDED 30 JUNE

	Note	Group		Company	
		2005 Rm	2004 Rm	2005 Rm	2004 Rm
CONTINUING OPERATIONS					
Revenue	12	4 790,4	4 385,1	1 437,7	502,6
Cost of sales		2 869,7	2 648,8		
Gross profit		1 920,7	1 736,3		
Selling and administrative expenses		1 451,6	1 330,5	4,9	3,8
Operating profit/(loss) before capital items	14	469,1	405,8	(4,9)	(3,8)
Income from investments	15	30,9	41,6	1 437,7	502,6
Finance costs		(39,6)	(52,9)	(4,6)	(16,3)
Share of equity accounted earnings of joint ventures		1,2	3,8		
Capital items	16	(21,8)	(7,0)	(50,7)	-
Profit before taxation		439,8	391,3	1 377,5	482,5
Taxation	17	124,7	130,0	2,5	-
Profit from continuing operations		315,1	261,3	1 375,0	482,5
DISCONTINUED OPERATIONS					
Revenue	12	1 794,9	2 643,3		
Cost of sales		1 062,9	1 483,6		
Gross profit		732,0	1 159,7		
Selling and administrative expenses		360,6	622,2		
Operating profit before capital items	14	371,4	537,5		
Income from investments	15	10,8	45,7		
Finance costs		(4,2)	(1,7)		
Capital items	16	18,5	(0,7)		
Profit before taxation		396,5	580,8		
Taxation	17	120,8	195,5		
Profit from discontinued operations		275,7	385,3		
Profit before net gain on disposal of discontinued operations		590,8	646,6	1 375,0	482,5
Gain on disposal of discontinued operation		306,9	-	284,8	-
Costs relating to the unbundling of a discontinued operation		(6,4)	-	(6,4)	-
Profit for the year		891,3	646,6	1 653,4	482,5
Attributable to:					
Equity holders of AVI		873,5	577,3		
Minority interests		17,8	69,3		
		891,3	646,6		
Earnings per share from continuing operations (cents)		198,6c	83,5c		
Diluted earnings per share from continuing operations (cents)		196,1c	82,6c		

Details of the headline earnings and dividend declared per ordinary share are given in Notes 18 and 19 to the financial statements on page 97.

CASH FLOW STATEMENTS

FOR THE YEARS ENDED 30 JUNE

	Notes to the cash flow statements	Group		Company	
		2005 Rm	2004 Rm	2005 Rm	2004 Rm
CONTINUING OPERATIONS					
Operating activities					
Cash retained from operating activities		301,3	74,3	1 210,3	52,4
Cash generated by/(utilised in) operations	1	631,6	549,6	(12,6)	(3,8)
Cash flow from investments		30,9	42,6	1 424,4	492,6
Decrease/(increase) in working capital	2	16,3	(55,7)	(11,6)	(60,5)
Cash generated by operating activities		678,8	536,5	1 400,2	428,3
Interest paid		(39,6)	(52,9)	(4,6)	(16,3)
Taxation paid	3	(170,0)	(72,4)	(1,3)	–
Cash available from operating activities		469,2	411,2	1 394,3	412,0
Dividends paid	4	(167,9)	(336,9)	(184,0)	(359,6)
Investing activities		(394,5)	(351,0)	(172,3)	(58,9)
Property, plant and equipment					
– to maintain operations		(115,5)	(75,8)	–	–
– to expand operations		(91,6)	(97,1)	–	–
		(207,1)	(172,9)	–	–
Proceeds from disposals		6,6	8,6	–	–
Net investment in property, plant and equipment		(200,5)	(164,3)	–	–
Intangible assets purchased		(0,1)	(88,8)	–	–
Investments – net (acquisitions)/disposals		(193,9)	(97,9)	(172,3)	(58,9)
– subsidiaries and businesses	5	(174,1)	(104,5)	6,8	(58,9)
– associated companies, joint ventures and other investments	6	(19,8)	6,6	(179,1)	–
Financing activities		(314,9)	(21,8)	(1 046,7)	13,9
Net (decrease)/increase in shareholder funding	7	(213,5)	(114,2)	(1 046,7)	13,9
Long-term borrowings		(101,4)	92,4	–	–
– raised		–	99,4	–	–
– repaid		(101,4)	(7,0)	–	–
DISCONTINUED OPERATIONS		203,9	(38,3)	–	–
Cash flows from operating activities		335,0	483,8	–	–
Cash flows from investing activities		(131,1)	(522,1)	–	–
Acquisition of minority equity interest in discontinued operation		(526,4)	–	–	–
Cash flow from disposal of discontinued operation	5	505,8	–	–	–
Decrease in net cash and cash equivalents		(224,8)	(336,8)	(8,7)	7,4
Net cash and cash equivalents at beginning of year		602,1	955,6	8,8	1,4
		377,3	618,8	0,1	8,8
Net decrease as a result of the translation of the cash equivalents of foreign subsidiaries at beginning of year		(7,1)	(16,7)	–	–
Net cash and cash equivalents at end of year		370,2	602,1	0,1	8,8
Short-term borrowings		78,5	72,4	–	91,3
Cash and cash equivalents		448,7	674,5	0,1	100,1

NOTES TO THE CASH FLOW STATEMENTS

FOR THE YEARS ENDED 30 JUNE

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
1. CASH GENERATED BY/(UTILISED IN) OPERATIONS				
Operating profit/(loss) before capital items	840,5	943,3	(4,9)	(3,8)
Consol Limited unbundling and other capital costs	(8,5)	(1,1)	(7,7)	-
Adjustment for:				
- non-cash items:	310,1	337,1	-	-
- depreciation of property, plant and equipment	290,3	320,1	-	-
- amortisation of fishing rights	5,6	4,3	-	-
- amortisation of trademarks	0,4	0,2	-	-
- foreign currency translations	(1,2)	3,7	-	-
- movements in provisions and other	15,0	8,8	-	-
	1 142,1	1 279,3	(12,6)	(3,8)
Continuing operations	631,6	549,6	(12,6)	(3,8)
Discontinued operations	510,5	729,7	-	-
2. (INCREASE)/DECREASE IN WORKING CAPITAL				
Increase in inventories	(117,2)	(5,6)	-	-
Decrease/(increase) in receivables	11,1	(145,3)	(10,7)	(13,5)
Increase/(decrease) in payables	28,0	120,5	(0,9)	(47,0)
	(78,1)	(30,4)	(11,6)	(60,5)
Continuing operations	16,3	(55,7)	(11,6)	60,5
Discontinued operations	(94,4)	25,3	-	-
The net movement on working capital has been adjusted to take account of the foreign exchange differences and other known non-cash items. Subsidiaries have been included from the effective dates of the respective acquisitions or the effective dates of the respective disposals.				
3. TAXATION PAID				
Amount owing at beginning of year	79,6	175,9	-	-
Amount overpaid at beginning of year, included in receivables	(2,1)	(1,3)	(1,2)	(1,2)
Net amount owing/(overpaid) at beginning of year	77,5	174,6	(1,2)	(1,2)
Charge per income statement	245,5	325,5	2,5	-
Deferred taxation included therein (Note 8 to the financial statements)	(13,8)	(75,2)	-	-
	231,7	250,3	2,5	-
Applicable to subsidiaries acquired and sold	(29,7)	2,2	-	-
Realignment of currencies	1,0	0,3	-	-
Movement in taxation provision reflected as payables	8,2	-	-	-
Amount owing at end of year	(35,7)	(79,6)	-	-
Amount overpaid at end of year, included in receivables	1,9	2,1	-	1,2
Net amount (owing)/overpaid at end of year	(33,8)	(77,5)	-	1,2
Amount paid during year	254,9	349,9	1,3	-
Continuing operations	170,0	72,4	1,3	-
Discontinued operations	84,9	277,5	-	-

NOTES TO THE CASH FLOW STATEMENTS CONTINUED

FOR THE YEARS ENDED 30 JUNE

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
4. DIVIDENDS PAID				
Per statement of changes in equity	170,7	374,6	184,0	359,6
Continuing operations	167,9	336,9	184,0	359,6
Discontinued operations	2,8	37,7	-	-
5. INVESTMENTS IN SUBSIDIARIES				
Minority equity interest acquired in a subsidiary company			(597,8)	-
Net loans repaid by/(advanced to) subsidiary companies	-	-	281,0	(58,5)
Proceeds on disposal of subsidiary company, net of acquisition cost	-	-	285,3	-
Proceeds on disposal of part interest in a subsidiary company	-	-	178,5	-
Cost of acquisition of subsidiary	-	-	(139,7)	-
Part payment in respect of subsidiary to be acquired	(0,5)	(0,3)	(0,5)	(0,3)
	(0,5)	(0,3)	6,8	(58,8)
Net assets of subsidiaries and businesses acquired:				
Property, plant and equipment	(69,3)	(9,4)		
Intangible asset – goodwill	(67,6)	(24,0)		
Intangible asset – trademarks	(109,2)	(43,8)		
Investments	-	(0,1)		
Working capital	(45,6)	(36,1)		
Net short-term borrowings/(cash and cash equivalents)	5,5	(2,2)		
Taxation – deferred and corporate	54,3	7,7		
Long-term borrowings	54,4	1,5		
Provision – post-retirement medical aid	3,3	-		
	(174,2)	(106,4)		
Investment in associate company now a subsidiary	6,1	-		
Net cash and cash equivalents included in acquisitions	(5,5)	2,2		
	(173,6)	(104,2)	-	(0,1)
Cash flow on acquisitions	(174,1)	(104,5)	6,8	(58,9)

The acquisitions in the current year comprised:

- Denny Mushrooms (Pty) Limited – acquired by the Company;
- Sir Juice – acquired by The Real Beverage Company (Pty) Limited; and
- Semillas Marinas S.A., a Chilean company involved in abalone aquaculture – acquired by the Irvin & Johnson group of companies.

The acquisitions in the prior year comprised:

- The House of Coffees (Pty) Limited – acquired by National Brands Limited; and
- Du Plessis Quality Juices (Pty) Limited (“Quali Juice”) – acquired by The Real Juice Company Holdings (Pty) Limited.

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
5. INVESTMENTS IN SUBSIDIARIES continued				
Net assets of subsidiaries disposed of:				
Vector Logistics (Pty) Limited was sold on 2 December 2004 and Consol Limited was unbundled to the Company's shareholders on 28 February 2005. Both companies were material to the operations of the Group and details of the assets and liabilities effectively disposed of are given below:				
Property, plant and equipment	1 258,8	-		
Investments	0,4	-		
Working capital	486,2	-		
Net cash and cash equivalents	(61,2)	-		
Taxation – deferred and corporate	(149,6)	-		
Provisions	(94,0)	-		
Minority interests	(20,9)	-		
	1 419,7	-		
Gain on disposal of Vector Logistics (Pty) Limited	306,9	-		
Distribution on unbundling of Consol Limited	(1 282,0)	-		
	444,6	-		
Net cash and cash equivalents included in disposals	61,2	-		
Cash flow on disposals	505,8	-		
6. INVESTMENTS IN ASSOCIATED COMPANIES, JOINT VENTURES AND OTHER INVESTMENTS				
Proceeds on disposals and repayments	12,6	10,1	-	-
Cost of acquisitions	(32,6)	(14,8)	(179,1)	-
Loans repaid	-	10,9	-	-
	(20,0)	6,2	(179,1)	-
Continuing operations	(19,8)	6,6	(179,1)	-
Discontinued operations	(0,2)	(0,4)	-	-
7. NET (DECREASE)/INCREASE IN SHAREHOLDER FUNDING				
Acquisition of own ordinary shares from wholly-owned subsidiary	-	-	(652,8)	-
Capital repayment of 64 cents per ordinary share	(201,8)	-	(201,8)	-
Redemption of convertible redeemable preference shares ¹	(0,1)	-	(200,1)	-
Net repurchase of own ordinary shares by the Company's Share Trusts	(11,6)	-	-	-
Own ordinary shares acquired	-	(127,5)	-	-
Proceeds from the issue of ordinary shares to the Company's Share Trusts	-	13,6	8,0	13,6
Proceeds from the issue of preference shares	-	0,3	-	0,3
Loan repaid to minority interests	-	(0,6)	-	-
	(213,5)	(114,2)	(1 046,7)	13,9

¹ The preference shares issued to Consol Limited were regarded as interest bearing borrowings for financial statement presentation purposes.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 30 JUNE

Year ended 30 June 2005

	Share capital and premium Rm	Treasury shares Rm	Reserves Rm	Retained earnings Rm	Premium on minority equity transactions Rm	Total Rm	Minority interests Rm	Total equity Rm
GROUP								
Balance at beginning of year	317,9	(342,4)	(11,0)	3 163,4	-	3 127,9	309,8	3 437,7
Earnings for the year	-	-	-	873,5	-	873,5	17,8	891,3
Dividends paid	-	-	-	(167,5)	-	(167,5)	(3,2)	(170,7)
Issue of ordinary shares	8,0	(8,0)	-	-	-	-	-	-
Acquisition of minority interests in:								
Consol Limited	-	-	-	-	(213,5)	(213,5)	(312,9)	(526,4)
Irvin & Johnson Holding Company (Pty) Limited	-	-	-	-	(2,7)	(2,7)	-	(2,7)
Unbundling of subsidiary company, Consol Limited	(106,7)	-	(4,3)	(1 384,5)	213,5	(1 282,0)	(20,9)	(1 302,9)
Capital repayment of 64 cents per ordinary share	(201,8)	-	-	-	-	(201,8)	-	(201,8)
Acquisition of own ordinary shares by Company's Share Trusts (net)	-	(11,6)	-	-	-	(11,6)	-	(11,6)
Own ordinary shares acquired from wholly-owned subsidiary company and subsequently cancelled	(1,4)	310,3	-	(308,9)	-	-	-	-
Redemption of convertible redeemable preference shares	(0,1)	-	-	-	-	(0,1)	-	(0,1)
Foreign currency translation differences	-	-	33,2	-	-	33,2	-	33,2
Cash flow hedging reserve	-	-	9,7	-	-	9,7	0,1	9,8
Share based payments	-	-	1,3	-	-	1,3	-	1,3
Transfer between reserves	-	-	(51,2)	51,2	-	-	-	-
Other movements	-	-	-	-	-	-	6,4	6,4
Balance at end of year	15,9	(51,7)	(22,3)	2 227,2	(2,7)	2 166,4	(2,9)	2 163,5

COMPANY

Balance at beginning of year	317,9	-	5,7	1 257,4	-	1 581,0		
Earnings for the year	-	-	-	1 653,4	-	1 653,4		
Dividends paid	-	-	-	(184,0)	-	(184,0)		
Issue of ordinary shares	8,0	-	-	-	-	8,0		
Unbundling of subsidiary company, Consol Limited	(106,7)	-	-	(877,1)	-	(983,8)		
Own ordinary shares acquired from wholly-owned subsidiary	(1,4)	-	-	(651,4)	-	(652,8)		
Capital repayment of 64 cents per ordinary share	(201,8)	-	-	-	-	(201,8)		
Redemption of convertible redeemable preference shares	(0,1)	-	-	-	-	(0,1)		
Share based payments	-	-	0,7	-	-	0,7		
Balance at end of year	15,9	-	6,4	1 198,3	-	1 220,6		

Year ended 30 June 2004

	Share capital and premium Rm	Treasury shares Rm	Reserves Rm	Retained earnings Rm	Total Rm	Minority interests Rm	Total equity Rm
GROUP							
Balance at beginning of year	304,0	(182,8)	42,2	2 935,8	3 099,2	398,3	3 497,5
Adjustments to account for the:							
- Straight-lining of operating leases	-	-	-	(11,3)	(11,3)	(0,2)	(11,5)
- Derecognition of BEE transactions	-	-	-	(4,1)	(4,1)	(123,2)	(127,3)
Balance at beginning of year as restated	304,0	(182,8)	42,2	2 920,4	3 083,8	274,9	3 358,7
Earnings for the year	-	-	-	577,3	577,3	69,3	646,6
Dividends paid	-	-	-	(336,9)	(336,9)	(37,7)	(374,6)
Dividend adjustment in respect of the consolidation of the Company's Share Trusts	-	-	-	2,6	2,6	-	2,6
Issue of ordinary shares	13,6	-	-	-	13,6	-	13,6
Issue of convertible redeemable preference shares	0,3	-	-	-	0,3	-	0,3
Own ordinary shares acquired							
- by wholly-owned subsidiary	-	(127,5)	-	-	(127,5)	-	(127,5)
- by Company's Share Trusts (net)	-	(32,1)	-	-	(32,1)	-	(32,1)
Foreign currency translation differences	-	-	(77,3)	-	(77,3)	-	(77,3)
Cash flow hedging reserve	-	-	22,3	-	22,3	3,3	25,6
Share based payments	-	-	1,8	-	1,8	-	1,8
Balance at end of year	317,9	(342,4)	(11,0)	3 163,4	3 127,9	309,8	3 437,7
COMPANY							
Balance at beginning of year	304,0	-	4,0	1 134,5	1 442,5		
Earnings for the year	-	-	-	482,5	482,5		
Dividends paid	-	-	-	(359,6)	(359,6)		
Issue of ordinary shares	13,6	-	-	-	13,6		
Issue of convertible redeemable preference shares	0,3	-	-	-	0,3		
Share based payments	-	-	1,7	-	1,7		
Balance at end of year	317,9	-	5,7	1 257,4	1 581,0		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEARS ENDED 30 JUNE

	Properties Rm	Plant and machinery Rm	Group Motor vehicles, furniture and equipment Rm	Vessels Rm	Equipment subject to finance leases Rm	Total Rm
1. PROPERTY, PLANT AND EQUIPMENT						
Cost						
At beginning of year	554,5	2 674,0	518,5	591,6	14,5	4 353,1
Additions	45,4	230,3	57,3	32,8	–	365,8
Disposals	(1,7)	(18,8)	(15,6)	(27,6)	(9,9)	(73,6)
Applicable to subsidiaries acquired	14,3	104,9	11,7	–	–	130,9
Applicable to subsidiaries sold and unbundled	(270,9)	(2 073,8)	(205,6)	–	–	(2 550,3)
Realignment of currencies	3,0	3,6	0,2	7,5	–	14,3
Reclassification	(0,4)	4,7	(6,5)	2,2	–	–
Transfer to non-current assets held for resale	–	–	–	(46,8)	–	(46,8)
At end of year	344,2	924,9	360,0	559,7	4,6	2 193,4
Accumulated depreciation and impairment charges						
At beginning of year	91,7	1 365,6	334,4	265,3	9,1	2 066,1
Disposals	(0,3)	(13,3)	(13,9)	(19,7)	(9,8)	(57,0)
Applicable to subsidiaries acquired	1,3	53,2	7,1	–	–	61,6
Applicable to subsidiaries sold and unbundled	(57,9)	(1 078,1)	(155,5)	–	–	(1 291,5)
Realignment of currencies	0,1	2,2	0,1	2,5	–	4,9
Reclassification	–	0,1	(0,1)	–	–	–
Transfer to non-current assets held for resale	–	–	–	(24,2)	–	(24,2)
Charge for the year	9,3	195,1	53,0	29,1	3,8	290,3
At end of year	44,2	524,8	225,1	253,0	3,1	1 050,2
Net book value						
At end of previous year	462,8	1 308,4	184,1	326,3	5,4	2 287,0
At end of current year	300,0	400,1	134,9	306,7	1,5	1 143,2

	Group	
	2005 Rm	2004 Rm
1. PROPERTY, PLANT AND EQUIPMENT continued		
Properties comprise:		
Freehold	254,0	417,6
Long leasehold	46,0	45,2
	300,0	462,8

- Expenditure on property, plant and equipment in the course of construction and included above at 30 June 2005 was R60,7 million (2004: R87,1 million).
- The original cost of fully depreciated plant and equipment that was still in use at 30 June 2005 was R370,1 million (2004: R804,5 million).
- A register containing details of properties is available for inspection by shareholders or their duly authorised agents during business hours at the registered office of the Company.

	Goodwill Rm	Group Fishing rights Rm	Trademarks Rm	Total Rm
2. INTANGIBLE ASSETS				
Cost				
At beginning of year	56,9	107,0	109,8	273,7
Goodwill arising on acquisition of subsidiaries	67,6	–	–	67,6
Trademarks within subsidiaries acquired	–	–	109,2	109,2
Fishing rights acquired	–	0,1	–	0,1
Realignment of currencies	–	7,0	–	7,0
At end of year	124,5	114,1	219,0	457,6
Accumulated depreciation and impairment charges				
At beginning of year	–	10,9	0,3	11,2
Amortisation for the year (Note 14)	–	5,6	0,4	6,0
Impairment charge (Note 16)	18,5	–	–	18,5
Realignment of currencies	–	1,1	–	1,1
At end of year	18,5	17,6	0,7	36,8
Net book value				
At end of previous year	56,9	96,1	109,5	262,5
At end of current year	106,0	96,5	218,3	420,8

Useful lives – Fishing rights and trademarks

The fishing rights are being amortised over a period of 15 – 25 years. Trademarks comprise well-established growing brands. With the exception of trademarks with a cost of R11,2 million that are being amortised over a period of 25 years, the remainder of the portfolio of brands are considered to have indefinite useful lives and are not amortised.

Impairment tests

Annual impairment tests were conducted using generally accepted valuation techniques. An impairment charge amounting to R18,5 million was provided in respect of goodwill attributable to The Real Beverage Company (Pty) Limited.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 30 JUNE

	Group	
	2005 Rm	2004 Rm
3. INVENTORIES		
Raw materials	117,7	150,2
Biological assets – abalone and mushrooms	41,5	22,1
Consumable stores	63,7	206,5
Work in progress	31,5	24,3
Manufactured finished goods	233,7	438,7
Merchandise – finished goods purchased for resale	11,9	48,4
	500,0	890,2

The value of the above inventories carried at net realisable value amounted to R12,4 million (2004: R6,6 million).

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
4. TRADE AND OTHER RECEIVABLES				
Trade accounts	708,4	1 242,8	–	–
Other receivables	84,0	155,1	44,4	33,7
Prepayments	18,4	36,7	–	–
Taxation overpaid	1,9	2,1	–	1,2
	812,7	1 436,7	44,4	34,9
Provision for doubtful debts	25,9	61,5	–	–
	786,8	1 375,2	44,4	34,9

	Group and Company	
	2005 Rm	2004 Rm
5. SHARE CAPITAL AND PREMIUM		
Share capital		
Authorised		
Ordinary share capital		
960 020 000 (2004: 960 000 000) ordinary shares of 5 cents each	48,0	48,0
Preference share capital		
Nil (2004: 20 000) variable rate cumulative redeemable preference shares of 5 cents each		–
10 000 000 (2004: 10 000 000) convertible redeemable preference shares of 20 cents each	2,0	2,0
Total authorised share capital	50,0	50,0

	Group and Company	
	2005 Rm	2004 Rm
5. SHARE CAPITAL AND PREMIUM continued		
Issued		
315 386 460 (2004: 339 756 590) ordinary shares of 5 cents each	15,8	17,0
Nil (2004: 1 000) variable rate cumulative redeemable preference shares of 5 cents each		-
247 432 (2004: 936 739) convertible redeemable preference shares of 20 cents each	0,1	0,2
Total issued share capital	15,9	17,2
Share premium		
Balance at beginning of year	300,7	287,1
Capital repayment of 64 cents per ordinary share (Note below)	(201,8)	-
Charge as a result of the unbundling of a subsidiary company (Note below)	(106,7)	-
Premium on issue of ordinary shares	7,8	13,4
Premium on issue of convertible redeemable preference shares	-	0,2
Balance at end of year	-	300,7
Total issued share capital and premium	15,9	317,9

Note:

The resolutions relating to the charges to the share premium were approved by shareholders of the Company at a meeting held on 7 February 2005.

	Group	
	2005 Rm	2004 Rm
Treasury shares		
Balance at beginning of year	(342,4)	(182,8)
Own ordinary shares acquired from/(by) a wholly-owned subsidiary company	310,3	(127,5)
Own ordinary shares owned by the Company's Share Trusts at 30 June 2004		(32,1)
Net own ordinary shares purchased by the Company's Share Trusts during the year	(19,6)	-
Balance at end of year	(51,7)	(342,4)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 30 JUNE

	Group and Company	
	2005 Number	2004 Number
5. SHARE CAPITAL AND PREMIUM continued		
Details relating to the movements in the issued share capital are given on page 50 in the directors' report and in the statement of changes in equity on page 76. The number of ordinary shares in issue is summarised as follows:		
At beginning of year	339 756 590	336 625 613
Issues to The Anglovaal Industries Limited Share Purchase Trust	970 364	3 130 977
Conversion of convertible redeemable preference shares of 20 cents each	2 028 512	–
	342 755 466	339 756 590
<i>Less:</i> Shares held by a wholly-owned subsidiary company in the previous year repurchased and cancelled in the current year	27 369 006	27 369 006
	315 386 460	312 387 584
<i>Less:</i> Shares held by the Company's Share Trusts	3 749 146	2 406 378
At end of year	311 637 314	309 981 206

- **Convertible redeemable preference shares**

The convertible redeemable preference shares ("preference shares") may be offered to participants under The Anglovaal Industries Limited Equity Participation Plan ("the plan").

The preference shares are convertible into ordinary shares after the third anniversary of the date of their offer to a participant on the basis of four ordinary shares for each preference share converted in accordance with a specified formula. This formula takes account of:

- the achievement of shareholder returns in excess of specified thresholds; and
- a sharing percentage of such shareholder returns as determined by the Company's appointments and remuneration committee at the time of the participant being invited to participate under the plan. This sharing percentage will not exceed 10 percent and will be determined after due consideration of equity market conditions and prevailing best practice in incentive remuneration.

Should any preference shares not be converted, they will be redeemed at an amount up to the subscription price, at the discretion of the Board.

The preference shares do not entitle the holder thereof to any dividend or participation in any distributions by the Company unless, as a result of any such distribution or any other event, there has been a material change in the nature of the Group and such change adversely affects the structure of the plan, in which case the conversion date of the preference shares will, at the discretion of the Board, be reset at a date to allow conversion if the thresholds have been achieved for the revised conversion period.

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
6. RESERVES				
The balance at the end of the year comprises:				
Capital redemption reserve fund	3,5	3,5	3,5	3,5
Cash flow hedging reserve	15,4	4,7	-	-
Foreign currency translation reserve	(44,1)	(77,3)	-	-
Group share of capital reserves of subsidiaries	-	55,9	-	-
Share based payments reserve	2,9	2,2	2,9	2,2
	(22,3)	(11,0)	6,4	5,7

- **Capital redemption reserve fund**

Represents the fund that is required in terms of the South African Companies Act to maintain the capital base of the Company. This is effected by a transfer from retained earnings following the redemption of any preference shares at their par value.

- **Cash flow hedging reserve**

The reserve represents the Group's portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions falling due in the future.

- **Foreign currency translation reserve**

The reserve comprises the cumulative foreign exchange differences arising as a result of the translation of the operations of foreign operations. The deficit positions were as a result of the strengthening of the Rand against the relevant overseas currencies post the acquisition of the foreign operations concerned.

- **Group share of capital reserves of subsidiaries**

The reserves principally comprise the Group's share of the share premium arising in a subsidiary company following the introduction of a minority interest at a premium to net asset value.

- **Share based payments reserve**

The reserve comprises the fair value of equity instruments granted to Group employees. The fair value of the instrument is measured at grant date using generally accepted valuation techniques after taking into account the terms and conditions upon which the instruments were granted.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 30 JUNE

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
7. INTEREST BEARING BORROWINGS				
Loans secured by agreements over property, plant and equipment	18,2	32,1	-	-
Loan secured by cession of rights under an international trademark licensing agreement	22,9	24,3	-	-
Finance lease liabilities	27,9	31,9	-	-
Total secured loans	69,0	88,3	-	-
Unsecured loans	100,7	122,6	-	200,0
Total borrowings	169,7	210,9	-	200,0
Amount repayable within one year included in short-term borrowings (Note 11)	57,3	55,1	-	-
	112,4	155,8	-	200,0

Interest rates and years of repayments

	Rate of interest %	Total borrowings 2005 Rm	Group Repayable during the year ending 30 June				
			2006 Rm	2007 Rm	2008 Rm	2009 Rm	2010 onwards Rm
Secured loans	9 – 12	41,1	17,5	2,8	2,7	2,5	15,6
Finance lease liabilities	11	27,9	1,0	1,4	2,2	3,0	20,3
Unsecured loans		100,7	38,8	31,8	16,3	12,1	1,7
- Libor + 1,38% (note 1 below)		37,9	17,1	16,7	1,2	1,2	1,7
- Libor + 1,38% (notes 1 and 2 below)		56,2	15,1	15,1	15,1	10,9	-
	6	6,6	6,6	-	-	-	-
		169,7	57,3	36,0	21,2	17,6	37,6

Notes:

- The Libor rate at 30 June 2005 was 3,03% (2004: 1,21%), and the weighted average LIBOR rate for the year was 2,23%.
- Included in cash and cash equivalents is a deposit of US Dollars 4 million (2004: US Dollars 5 million) which is available for withdrawal to the extent that the loan is repaid.

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
7. INTEREST BEARING BORROWINGS continued				
The borrowings are in the following currencies:				
South African Rands	69,0	89,1	-	200,0
US Dollars	94,3	115,1	-	-
Argentine Pesos	6,4	6,7	-	-
	169,7	210,9	-	200,0

Company

Variable rate cumulative redeemable preference shares (reflected as borrowings by the Company)

On 26 April 2001 the Company issued to then subsidiary company, Consol Limited, 1 000 variable rate cumulative redeemable preference shares of 5 cents each ("preference shares") at a premium of R199 999,95 per share, resulting in a total issue price of R200 million.

Dividends were paid on the total issue price at rates between 61,5 percent and 66,5 percent of the prime overdraft rate at Standard Bank, with the final dividend payment in accordance with the original agreement being 27 April 2004. Such dividends ranked as a priority to all other dividends payable by the Company, were accrued on a time proportion basis and reflected as interest paid in the income statement of the Company.

The preference shares were redeemable at the total issue price on 27 April 2004, but this date was extended by written agreement between the Company and Consol Limited for a further initial period of three months from the original redemption date and with subsequent three-month periods thereafter, subject to a 14-day notice period to be given by either party prior to redemption.

The dividend rate pertaining to the extension was agreed to be 61 percent of the prime overdraft rate at Standard Bank.

The shares were redeemed on 1 November 2004.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 30 JUNE

	Group	
	2005 Rm	2004 Rm
8. DEFERRED TAXATION		
Balance at beginning of year, being a net liability	90,7	9,5
Adjustment to account for the straight-lining of operating leases	–	(4,7)
Balance at beginning of year, as restated	90,7	4,8
Charge to income statement:	13,8	75,2
– change in tax rate	(3,9)	–
– current year – temporary differences	13,1	69,4
– deferred taxation asset reversed/(raised) on prior year tax losses	10,5	(18,9)
– deferred taxation on STC credits	19,7	50,5
– prior years	(2,7)	13,9
	(3,2)	10,8
Subsidiaries acquired	46,6	5,5
Subsidiaries sold and unbundled	(112,3)	–
Realignment of currencies and reserve movement in respect of cash flow hedging	(6,5)	5,2
Balance at end of year, being a net liability	32,3	90,7
Balance at end of year comprises:		
Accelerated capital allowances	103,2	287,2
Intangible assets temporary differences	64,0	27,2
Provisions and other temporary differences:	(91,9)	(171,2)
– post-retirement medical aid	(76,9)	(101,6)
– leave pay and bonus accruals	(33,1)	(49,7)
– other taxable/(deductible) temporary differences	18,1	(19,9)
Unused tax losses	(38,3)	(50,5)
Unused credits in respect of STC	(4,7)	(2,0)
	32,3	90,7
Reflected as:		
Deferred taxation asset	102,0	104,2
Deferred taxation liability	134,3	194,9

	Group	
	2005 Rm	2004 Rm
9. PROVISIONS		
Post-retirement medical aid		
The Group has an obligation to provide certain post-retirement medical aid benefits to certain eligible employees and pensioners. The entitlement to these benefits for current employees is dependent upon the employee remaining in service until retirement age.		
The actuarial valuation of the post-retirement medical aid contributions liability was performed at 1 January 2005 and projected to 30 June 2005.		
The principal actuarial assumptions used were as follows:		
Discount rate	8,5% (2004: 10,0%)	
Medical inflation	7,5% (2004: 9,0%)	
Actuarially determined present value of unfunded obligations	297,1	344,7
Unrecognised actuarial loss	(27,7)	(1,7)
Net liability in balance sheet	269,4	343,0
Balance at beginning of year	343,0	333,6
Transfer from income statement – operating profit	36,1	27,7
Current service cost/(credit)	3,9	(4,4)
Interest cost	28,8	32,1
Experience adjustment	3,4	–
Contributions paid	(20,2)	(18,3)
Subsidiaries sold and unbundled	(92,8)	–
Subsidiary acquired	3,3	–
Balance at end of year	269,4	343,0
Onerous contracts		
Balance at beginning of year	1,2	–
Transfer from income statement	–	1,2
Subsidiary sold	(1,2)	–
Balance at end of year	–	1,2
Operating lease straight-line accrual		
Adjustment arising upon adoption of Circular 7/2005 issued by The South African Institute of Chartered Accountants	16,2	16,2
Balance at end of year	16,2	16,2
Total provisions	285,6	360,4
Amounts payable within one year included under trade and other payables (Note 10)	17,2	21,2
	268,4	339,2

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 30 JUNE

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
10. TRADE AND OTHER PAYABLES				
Trade accounts	485,1	925,5	-	-
Other payables and accrued expenses	383,5	589,4	9,1	8,0
Provision falling due within one year (Note 9)	17,2	21,2	-	-
Amounts owing to subsidiaries	-	-	0,5	2,5
	885,8	1 536,1	9,6	10,5
11. SHORT-TERM BORROWINGS				
Overdrafts and other short-term borrowings	21,2	17,3	120,2	91,3
Current portion of interest bearing borrowings (Note 7)	57,3	55,1	-	-
	78,5	72,4	120,2	91,3
Company				
The Company's short-term borrowings of R120,2 million (2004: R91,3 million) are from subsidiary companies (page 104).				
12. REVENUE				
Group revenue comprises sales of goods excluding value added tax.				
The Group distributed certain products on behalf of third parties. In terms of the distribution agreements the Group received a distribution fee and was responsible for invoicing the sales, subsequent collection of the accounts receivable and any bad debts. The revenue of the logistics operation, which was sold and discontinued on 2 December 2004, comprised the distribution fee earned rather than the total amount of the third party sales.				
An analysis of revenue showing these categories is as follows:				
Total invoiced sales	7 798,1	10 045,9		
Less: Third party sales	1 212,8	3 017,5		
	6 585,3	7 028,4		
Continuing operations	4 790,4	4 385,1		
Discontinued operations (Note 13)	1 794,9	2 643,3		
	6 585,3	7 028,4		
A segmental and geographical analysis of Group revenue is given on pages 58 to 59 in the segmental information report.				
Revenue of the Company comprises investment income (Note 15).				

13. DISCONTINUED OPERATIONS

The discontinued operations in the current year were Vector Logistics (Pty) Limited, which was sold on 2 December 2004, Consol Limited, which was unbundled to the Company's shareholders on 28 February 2005 and the pelagic fishing operations of Irvin & Johnson Holding Company (Pty) Limited. No Group operations were discontinued in the prior year.

The results of these operations have been accounted for up to the respective dates of the sale, the unbundling and the decision to discontinue the pelagic fishing operations, and are as follows:

	Group	
	2005* Rm	2004 Rm
13.1 Vector Logistics (Pty) Limited		
Results		
Turnover	200,4	429,7
Operating expenses	167,6	360,3
Operating profit before capital items	32,8	69,4
Net investment income	5,0	18,1
Share of associated company losses	–	(0,2)
Capital items	1,1	1,6
Profit before taxation	38,9	88,9
Taxation	13,7	28,6
Profit after taxation	25,2	60,3
Cash flows		
Cash generated by operating activities	(23,5)	128,3
Dividends paid to Company	(76,1)	(26,9)
Cash utilised in investing activities	(5,4)	(20,0)
Cash effects of financing activities being decrease/(increase) in net cash	105,0	(81,4)
Net assets at end of previous financial year		
Non-current assets		150,0
Current assets		745,6
Non-current liabilities		(25,7)
Current liabilities		(534,1)
Net assets		335,8

* Five-month period

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 30 JUNE

	Group	
	2005* Rm	2004 Rm
13. DISCONTINUED OPERATIONS continued		
13.2. Consol Limited		
Results		
Turnover	1 547,5	2 117,1
Operating expenses	1 197,0	1 636,2
Operating profit before capital items	350,5	480,9
Net investment income	1,6	25,9
Capital items	(1,4)	(2,2)
Profit before taxation	350,7	504,6
Taxation	107,1	167,0
Profit after taxation	243,6	337,6
Cash flows		
Cash generated by operating activities	364,8	394,7
Dividends paid to Company	(500,5)	(188,5)
Cash utilised in investing activities	(138,5)	(499,0)
Repayment of preference share investment by Company (Note 7)	200,0	–
Cash effects of financing activities being decrease in net cash	74,2	292,8
Net assets at end of previous financial year		
Non-current assets		1 326,2
Current assets		823,5
Non-current liabilities		(193,6)
Current liabilities		(397,3)
Net assets		1 558,8

* *Eight-month period*

	Group	
	2005 Rm	2004 Rm
13. DISCONTINUED OPERATIONS continued		
13.3. Pelagic fishing operations		
Results		
Turnover	47,0	96,5
Operating expenses	58,9	109,3
Operating loss before capital items	(11,9)	(12,8)
Capital items	18,8	-
Profit/(loss) before taxation	6,9	(12,8)
Taxation	-	-
Profit/(loss) after taxation	6,9	(12,8)
Cash flows		
Cash utilised in operating activities	(3,5)	(3,1)
Cash generated by investing activities	12,8	(3,6)
Cash effects of financing activities being (increase)/decrease in net cash	(9,3)	6,7
Net assets at end of financial year		
Non-current assets	-	16,5
Non-current assets held for resale – vessels	24,5	-
Current assets	33,6	47,5
Current liabilities – external	(12,6)	(11,3)
Current liabilities – intra-group	(37,3)	(38,0)
Net assets	8,2	14,7

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 30 JUNE

	Group	
	2005 Rm	2004 Rm
13.4 COMPARATIVE BALANCE SHEETS OF CONTINUING OPERATIONS		
The presentation formats prescribed by IFRS do not allow for comparability of continuing operations on the face of the balance sheet. The balance sheet for the comparative period, restated to remove the assets, liabilities and equity of discontinued operations is set out below:		
ASSETS		
Non-current assets		
Property, plant and equipment	1 143,2	1 012,4
Intangible assets	420,8	262,5
Investments	252,6	221,9
Deferred taxation	102,0	88,9
	1 918,6	1 585,7
Current assets		
Inventories	488,0	398,2
Trade and other receivables	781,9	911,6
Cash and cash equivalents	432,0	248,9
Assets of discontinued operations	58,1	2 673,8
	1 760,0	4 232,5
Total assets	3 678,6	5 818,2
EQUITY AND LIABILITIES		
Total equity	2 163,5	3 437,7
Non-current liabilities		
Interest bearing borrowings	112,4	155,8
Deferred taxation	134,3	68,4
Provisions	268,4	249,3
	515,1	473,5
Current liabilities		
Trade and other payables	873,2	820,2
Corporate taxation	35,7	77,0
Short-term borrowings	78,5	72,4
Liabilities of discontinued operations	12,6	937,4
	1 000,0	1 907,0
Total equity and liabilities	3 678,6	5 818,2

	Group			
	Continuing operations		Discontinued operations	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
14. OPERATING PROFIT/(LOSS)				
In arriving at the operating profit/(loss) before capital items, the following have been taken into account:				
Amortisation				
– fishing rights	5,6	4,3	–	–
– trademarks	0,4	0,2	–	–
Auditors' remuneration				
– fees for audit	6,2	5,5	1,7	2,6
– fees for other services	2,8	2,7	0,3	0,1
– International Financial Reporting Standards consulting	0,9	–	–	–
– due diligence investigations	–	0,6	–	–
– taxation services and consultations	0,9	1,7	–	0,1
– other	1,0	0,4	0,3	–
– expenses	0,2	0,2	–	–
Depreciation of property, plant and equipment	147,9	135,6	142,4	184,5
– properties	5,7	5,0	3,6	5,5
– plant, equipment and vehicles	113,1	101,2	138,8	170,8
– vessels	29,1	29,4	–	8,2
Employment costs	1 034,0	931,4	370,1	560,4
Short-term employment benefits	936,4	846,4	342,0	510,9
Post-employment benefits	97,6	85,0	28,1	49,5
Foreign exchange (gains)/losses	(11,0)	(1,1)	0,8	14,2
– losses	14,3	6,4	0,4	9,0
– gains	(18,4)	(6,3)	–	–
– forward exchange contracts net fair value adjustments,	(6,9)	(1,2)	0,4	5,2
being:				
– realised	(17,8)	(9,1)	0,8	6,3
– unrealised	6,8	8,0	–	7,9
Operating lease expenses	35,1	33,5	9,6	10,0
– property	20,0	18,8	6,2	5,0
– plant, equipment and vehicles	15,1	14,7	3,4	5,0
Remuneration for services				
– administrative, financial, managerial and secretarial fees	17,4	19,4	4,6	4,3
– technical fees	7,2	5,0	10,6	16,7
Research and development costs	8,2	6,1	–	–

The above information for discontinued operations is not comparable with the prior year (refer Note 13 for the dates of discontinuance of these operations).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 30 JUNE

	Company	
	2005 Rm	2004 Rm
14. OPERATING PROFIT/(LOSS) continued		
Auditors' remuneration		
– fees for audit	0,1	0,1
Directors' remuneration (Note below)	12,9	9,9
– executive directors, including share option gains	11,3	8,9
– non-executive directors	1,6	1,0
Administrative, financial, managerial and secretarial fees	0,1	0,1

Note:

Details of the directors' remuneration is given in the directors' remuneration report on page 57.

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
15. INCOME FROM INVESTMENTS				
Dividends – unlisted companies	9,6	15,3	1 437,7	502,6
Interest – external	20,9	36,9	–	–
	30,5	52,2	1 437,7	502,6
Dividends were received from				
– subsidiary companies			1 422,2	478,5
– other investments	9,6	15,3	15,5	24,1
	9,6	15,3	1 437,7	502,6
Being:				
Continuing operations	30,9	41,6		
Interest – external	20,1	33,8		
Interest – inter-group	3,8	–		
Dividends – external	7,0	7,8		
Discontinued operations	10,8	45,7		
Interest – external	0,8	2,7		
Interest – inter-group	2,8	18,8		
Preference dividends – inter-group	4,6	16,3		
Dividends – external	2,6	7,9		
Adjustment for inter-group positions between continuing and discontinued operations set off Group interest paid	(11,2)	(35,1)		
	30,5	52,2		

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
16. CAPITAL ITEMS				
Net surplus/(deficit) on disposal of investments, properties, vessels and plant and equipment	15,2	(2,2)	(50,7)	-
Impairment of goodwill	(18,5)	-	-	-
Impairment of trademark	-	(4,5)	-	-
Impairment of plant and equipment	-	(1,0)	-	-
	(3,3)	(7,7)	(50,7)	-
Continuing operations	(21,8)	(7,0)	(50,7)	-
Discontinued operations	18,5	(0,7)	-	-
Attributable taxation (Note 17)	(0,2)	0,2	-	-
	(3,1)	(7,9)	(50,7)	-
Attributable to minority interests	2,8	0,4	-	-
	(0,3)	(7,5)	(50,7)	-
17. TAXATION				
South African normal taxation	207,8	209,5	-	-
Deferred taxation	19,7	50,5	-	-
Foreign taxation	5,6	4,0	-	-
Secondary Tax on Companies – current	24,0	31,1	-	-
– deferred	(2,7)	13,9	-	-
Prior year (over)/under provisions	(8,9)	16,5	2,5	-
	245,5	325,5	2,5	-
Being:				
Continuing operations	124,7	130,0	2,5	-
Discontinued operations	120,8	195,5	-	-
Dealt with as follows:				
In respect of profit before capital items	245,7	325,3	2,5	-
In respect of capital items (Note 16)	(0,2)	0,2	-	-
	245,5	325,5	2,5	-
Reconciliation of rate of taxation	%	%	%	%
Standard rate of company taxation	29,0	30,0	29,0	30,0
Increase/(reduction) in effective rate as a result of:				
Change in tax rate	(0,5)	-	-	-
Deferred taxation asset reversed/(raised) on prior year tax losses	1,0	(2,0)	-	-
Disallowable expenditure	1,2	2,0	0,1	0,2
Effect of foreign taxes	(1,4)	0,2	-	-
Exempt income	(2,0)	(1,4)	(29,2)	(31,2)
Secondary Tax on Companies	2,5	3,2	-	-
Prior year (over)/under provisions	(1,1)	1,7	0,2	-
Other	0,6	(0,5)	0,1	1,0
Effective rate of taxation for the year (before capital items)	29,3	33,2	0,2	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 30 JUNE

	Group	
	2005 Rm	2004 Rm
17. TAXATION continued		
The estimated losses which are available for the reduction of future taxable income are	173,3	169,5
of which	140,3	168,3
has been taken into account in calculating deferred taxation.		
The shareholders' interest in the estimated assessed losses not yet utilised is therefore	33,0	1,2
18. EARNINGS AND HEADLINE EARNINGS		
The calculations of earnings and headline earnings per ordinary share are based on a weighted average of 311 590 025 (2004: 315 809 761) ordinary shares in issue.		
The diluted earnings and headline earnings per share are calculated on 315 536 786 (2004: 319 375 150) ordinary shares, computed in accordance with the definition on page 42.		
Determination of headline earnings		
Earnings	873,5	577,3
Attributable to:		
Continuing operations	619,0	263,7
Discontinued operations	254,5	313,6
Adjustment for net gain on disposal of discontinued operations	(300,5)	–
Adjustment for capital items, net of attributable taxation credit and minority interests (Note 16)	0,3	7,5
Headline earnings	573,3	584,8
Attributable to:		
Continuing operations	337,2	271,1
Discontinued operations	236,1	313,7
	573,3	584,8
The weighted average diluted number of ordinary shares has been arrived at as follows:		
	2005 Number	2004 Number
Weighted average number of ordinary shares	311 590 025	315 809 761
Effect of share options outstanding during the year	1 331 630	1 537 385
Effect of convertible redeemable preference shares outstanding during the year	2 615 131	2 028 004
	315 536 786	319 375 150

	Group	
	2005 cents	2004 cents
18. EARNINGS AND HEADLINE EARNINGS continued		
Headline earnings per ordinary share	184,0	185,2
Attributable to:		
Continuing operations	108,2	85,9
Discontinued operations	75,8	99,3
Diluted headline earnings per ordinary share	181,7	183,1
Attributable to:		
Continuing operations	106,9	84,9
Discontinued operations	74,8	98,2
Earnings per ordinary share	280,3	182,8
Attributable to:		
Continuing operations	198,6	83,5
Discontinued operations	81,7	99,3
Diluted earnings per ordinary share	276,8	180,8
Attributable to:		
Continuing operations	196,1	82,6
Discontinued operations	80,7	98,2

	Group		Company	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
19. DIVIDENDS PAID				
Ordinary shares				
No. 59 of 80 cents, paid 27 October 2003		255,1		271,4
No. 60 of 26 cents, paid 5 April 2004		81,8		88,2
No. 61 of 54 cents, paid 25 October 2004	167,5		184,0	
	167,5	336,9	184,0	359,6
Dividend No. 62 of 37 cents in respect of the year ended 30 June 2005 was declared on 6 September 2005 and is payable on 24 October 2005. This will be at the following cost after taking account of the ordinary shares in issue at the date of approval of the annual report.	115,3	167,4	116,7	183,5

A capital repayment of 64,0 cents per share was made on 28 February 2005. This effectively replaced the payment of an interim dividend for the year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 30 JUNE

	Group	
	2005 Rm	2004 Rm
20. COMMITMENTS AND CONTINGENT LIABILITIES		
Commitments		
Capital commitments		
Capital expenditure authorised by the directors		
Property, plant and equipment		
– contracted for	34,2	183,5
– not contracted for	33,6	55,0
	67,8	238,5
Investments in subsidiaries		
– contracted for	257,7	164,4
	325,5	402,9
It is anticipated that this expenditure will be financed by cash resources, cash generated from activities and existing borrowing facilities.		
Other contractual commitments have been entered into in the normal course of business.		
Operating leases		
Non-cancellable operating lease rentals are payable as follows:		
Within one year	22,7	27,5
Between two and five years	62,9	76,5
After five years	64,5	80,8
	150,1	184,8
The principal constituent of the "After five years" amount is a long-term property lease expiring in February 2023 with an approximate rental payment of R4 million per annum.		
Contingent liabilities		
Group		
The South African Revenue Service ("SARS") has issued revised assessments on a foreign subsidiary for taxes plus penalties and interest in respect of the tax years previously assessed, 1998 through 2003. The additional taxes assessed by SARS amount to R49,4 million. The total amount in terms of the assessments, including penalties and interest, is R208,2 million.		
The 2004 and 2005 tax years have not yet been assessed. Were assessments to be issued on the same basis applied in the assessments received, the total amount of tax payable in respect of these years would be R11,3 million, excluding penalties and interest.		
The company has filed a notice of appeal against the 1998 to 2003 assessments. The issues in dispute are of a complex nature and it is anticipated that the matter will remain unresolved for an extended period.		
Other contingent liabilities		
– guarantees of loans to associated companies	–	1,0
– legal disputes	–	3,0
	–	4,0
Company		
The Company has signed a deed of suretyship with Rand Merchant Bank in respect of the performance of the obligations of a subsidiary company, Indigo Cosmetics (Pty) Limited, with regard to the repayment of the secured loan of R22,9 million (2004: R24,3 million) referred to in Note 7.		

21. EMPLOYEE BENEFITS

Retirement benefits

The Group provides retirement benefits for its eligible employees. Of the Group's 9 543 employees, 7 928 are members of defined contribution Group pension and provident funds or state-administered funds in other jurisdictions. South African funds are governed by the Pension Funds Act 1956, as amended. Other funds are governed by the respective legislation of the country concerned. The contributions paid by the Group companies for retirement benefits are charged to the income statement as they are incurred, and amounted to R74,0 million (2004: R77,9 million).

The trustees of South African funds within the Group that were previously defined benefit funds have commenced the surplus apportionment exercise in accordance with the December 2001 Pension Funds Second Amendment Act. The surplus apportionment exercises in respect of the two Group pension funds that are affected are currently in progress and to date finality has not been reached on the extent of the surplus arising in these funds that will accrue to the Group or whether there is a possibility that any deficits arising may have to be funded by the Group. The process is ongoing and it is anticipated that, where necessary, clarity will be established and the effect of this exercise on the Group will be able to be accounted for in the current financial year.

During the year approval of the apportionment of the 1999 surplus in the I&J Retirement Fund was obtained from the Financial Services Board. The apportionment resulted in R11,7 million of the actuarial surplus being transferred to the employer reserve in the Fund. This had increased since the apportionment date to R20,7 million and has been recognised in the current year.

Share based payments

Details of equity instruments granted to employees are detailed on pages 52 and 53 of the directors' report. Equity instruments granted after 7 November 2002 and not yet vested by 1 January 2005 have been measured and recognised in accordance with the principles contained in IFRS 2 – Share Based Payments. The fair value of the equity instruments were measured on a Black-Scholes model. The contractual life of the equity instruments were used as an input into the model. The equity instruments are granted under a service condition and the expected attrition is considered in estimating the number of options expected to vest.

The fair value of the estimated number of options expected to vest are expensed over the vesting period of the underlying equity instrument. In the event of accelerated vesting, the remaining fair value of vested equity instruments is expensed in the period of vesting.

22. BLACK ECONOMIC EMPOWERMENT (“BEE”) TRANSACTIONS

Irvin & Johnson Holding Company (Pty) Limited (“I&J”)

AVI initially introduced BEE partners into I&J in 1999 with 10% of the I&J group sold to Sipij Investments (Pty) Limited (“Sipij”) and an option over a further 10% granted to Dyambu Investment Nominees (Pty) Limited (“Dyambu”) and Ntshonalanga Consortium Investment Nominees (Pty) Limited (“Ntshonalanga”). In August 2001 Dyambu and Ntshonalanga completed the purchase of the 10% of I&J over which they held options. Sipij exercised its right to dispose of its shares in I&J in 2003. AVI purchased this shareholding for a consideration of R116,5 million and “warehoused” this interest for future BEE shareholdings in I&J.

During the year AVI acquired the ordinary shares in Dyambu and Ntshonalanga for a consideration of R3 million. AVI had previously subscribed for cumulative redeemable preference shares in Sipij, Dyambu and Ntshonalanga in order to assist these companies to acquire the I&J shares.

The Company has now sold 20% of its shareholding in I&J to Main Street 198 (Pty) Limited (“Main Street”) in November 2004. Main Street is owned by two broad-based black empowered companies. The proceeds on disposal amounted to R160,8 million and the consideration was funded by the Company subscribing for cumulative redeemable convertible preference shares in Main Street.

22. BLACK ECONOMIC EMPOWERMENT (“BEE”) TRANSACTIONS continued

Irvin & Johnson Holding Company (Pty) Limited (“I&J”) continued

AVI has further increased the BEE shareholding in I&J by donating 1% and selling 4% of its shareholding in I&J to a company owned by the South African black employees of I&J and its subsidiaries, Richtrau No 53 (Pty) Limited (“Richtrau”), on 1 May 2005. The proceeds on disposal amounted to R18,0 million and the consideration was funded by the Company subscribing for a cumulative redeemable preference share in Richtrau. The value generated by this shareholding will vest to those employee shareholders remaining in the employ of I&J and its subsidiaries after 30 April 2010.

Post the implementation of these transactions the effective direct BEE shareholding in I&J is 25%.

Accounting recognition of the disposal of shares

Notwithstanding that the BEE transactions have been completed and that the BEE shareholders have beneficial ownership and voting control over their 25% shareholdings, the accounting recognition in the Group’s consolidated financial statements of the disposal of shares to the BEE companies requires deferral until the redemption of the preference shares subscribed for to finance the purchase of such shares as the shares in I&J serve as security for the cumulative liability on the preference shares.

This has resulted in a change in the Group’s accounting policy of recognising such transactions to occur only upon full redemption of preference share funding investments compared to the recognition of such transactions in previous years upon entering into the respective agreements. The comparative results and financial position have been restated to conform with this change in accounting policy. The financial effect of the change in accounting policy is summarised in a supplementary note on page 114.

On the assumption that the recognition criteria had been met the impact on the Group income statement would be as follows:

	Group	
	2005 Rm	2004 Rm
Preference dividend investment income increase	5,5*	18,5
Earnings attributable to minority shareholders increase	5,5	13,5

**The recognition of the preference dividend income is capped at the attributable earnings to the minority shareholders.*

Application of IFRS 2 – Share based payments

The Group has adopted the recommendations of IFRIC draft interpretation D16 – Scope of IFRS 2 and the SAICA ED 199 – Accounting for BEE transactions on the following bases:

- The sale of the 20% interest to Main Street 198 (Pty) Limited was an equity instrument that was considered to have fully vested in the hand of the participants before 1 January 2005. Under the exemption offered by IFRS 1 – First time adoption of IFRS the transaction was not accounted for as a share based payment.
- The donation of 1% and the sale of 4% of the shares in I&J to Richtrau No 53 (Pty) Limited was fair valued using a generally accepted valuation technique based on the underlying terms of the transaction. The fair value determined amounting to R3,4 million will be expensed as a share based payment over the vesting period applicable to the underlying employee service conditions up to 30 April 2010.

23. FINANCIAL INSTRUMENTS

Foreign currency risk

The Group has transitional currency exposures arising from sales or purchases of goods by Group operating companies in currencies other than Rands. The settlement of these transactions takes place within a normal business cycle. The Group has clearly defined policies for the management of foreign exchange risks. Transactions which create foreign currency cash flows are hedged with either forward contracts or currency options.

The currencies in which the Group primarily deals are Argentine Pesos, Australian Dollars, Botswana Pula, Euros, UK Pounds and US Dollars.

	Exports		Imports	
	Foreign amount Million	Rand amount Rm	Foreign amount Million	Rand amount Rm
The principal or contract amounts of derivative financial instruments for sale and purchase transactions were:				
30 June 2005				
Australian Dollars	7,8	39,4	0,2	1,1
Euros	41,7	252,1	2,2	17,8
UK Pounds	0,2	2,4	1,4	16,5
US Dollars	0,2	14,6	4,7	29,6
Other		2,3		-
		310,8		65,0
30 June 2004				
Australian Dollars	0,3	1,3	1,0	4,6
Euros	19,4	166,3	9,3	77,4
UK Pounds	0,1	1,3	1,9	24,3
US Dollars	5,2	37,2	16,7	121,9
Other		-		3,3
		206,1		231,5

Included in the exports and imports above were designated cash flow hedges relating to future commitments to sell and purchase goods, which will respectively be delivered and received in the current financial year.

The net positive fair value of cash flow hedges recognised in equity was R15,4 million (2004: R4,7 million), after taxation and minority interests (Note 6).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 30 JUNE

23. FINANCIAL INSTRUMENTS continued

Monetary assets/(liabilities)

Monetary assets and liabilities denominated in currencies other than Rands and not covered by derivative financial instruments were as follows:

	Receivables		Cash and cash equivalents		Borrowings		Payables	
	Foreign amount	Rand amount	Foreign amount	Rand amount	Foreign amount	Rand amount	Foreign amount	Rand amount
	Million	Rm	Million	Rm	Million	Rm	Million	Rm
30 June 2005								
Argentine Pesos	16,1	37,0	0,4	1,0	2,8	6,4	11,3	25,9
Australian Dollars	1,5	7,4	0,4	2,0	-	-	-	-
Botswana Pula	12,3	14,6	12,9	15,4	-	-	7,9	9,4
Euros	7,4	59,2	1,7	13,6	-	-	1,9	15,1
UK Pounds	0,3	3,4	0,4	4,5	-	-	0,2	2,5
US Dollars	10,8	71,3	7,4	49,2	14,2	94,3	8,4	55,4
Other		2,0		3,1		-		1,3
		194,9		88,8		100,7		109,6
30 June 2004								
Argentine Pesos	-	-	1,0	2,0	3,2	6,7	11,2	23,3
Australian Dollars	1,1	4,6	-	-	-	-	-	-
Botswana Pula	9,8	13,1	31,2	41,8	-	-	5,4	7,2
Euros	-	0,1	7,0	52,9	-	-	2,0	15,5
UK Pounds	1,0	11,5	-	-	-	-	0,4	5,0
US Dollars	15,5	96,5	16,3	101,5	18,5	115,1	3,0	18,6
Other		4,2		0,9		-		4,1
		130,0		199,1		121,8		73,7

Fair value

The carrying value of all financial instruments is considered to approximate their fair value.

Credit risk

The Group's principal exposure to credit risk is in its receivables and cash and cash equivalents balances. Receivables principally represent amounts owing to the operating companies by their customers, and credit risk is managed at that level. The Group's customer base includes a number of large South African retailers and corporations and its concentration of credit risk in this connection is actively managed. Where appropriate, the Group has purchased insurance in respect of outstanding receivables.

Deposits and cash balances are all maintained at reputable financial institutions, and limits are set in connection herewith. Group deposits are managed by a central corporate treasury.

Interest rate risk

Deposits and cash balances all carry interest rates that are keenly negotiated and generally vary in response to the prime overdraft rate. Interest rate information relating to borrowings is disclosed in Note 7.

24. RELATED PARTY TRANSACTIONS

Transactions with group entities

Details of the principal subsidiaries, associated companies and other investments are given on pages 105 to 108.

There were no material transactions with related parties during the year not eliminated on consolidation with the exception of the fee earned by the logistics segment, up to the date of its disposal on 2 December 2004, on the distribution of the seafoods products of Irvin & Johnson Holding Company (Pty) Limited amounting to R18,9 million (2004: R48,4 million).

Transactions with key management personnel

The directors of the Company and the immediate Group subsidiary holding company directors have been identified as the key management personnel of the Group.

The key management personnel costs are as follows:

	Group	
	2005 Rm	2004 Rm
Short-term employee benefits	58,8	64,3
Post-employment benefits	3,9	3,5
Termination benefits	5,1	–
Equity compensation benefits	1,3	1,8
	69,1	69,6

Executives also participate in the Company's share option schemes, details of which are given in the directors' report on pages 54 and 55.

25. COMPARATIVE FIGURES

As advised in the accounting policies on page 61, comparative figures have been restated in order to comply with International Financial Reporting Standards, the adoption of Circular 7/2005 – Operating Leases and the derecognition of Black Economic Empowerment Transactions.

Details of the effect of compliance with the above on the comparative figures are provided in the supplementary notes on pages 109 to 114.

26. BORROWING CAPACITY

The borrowing capacity of the Company and its principal subsidiaries and the securing of such borrowings is at the discretion of the directors of the Company.

The individual borrowing capacities of the principal subsidiaries are as determined by their respective articles of association.

SUBSIDIARIES

AT 30 JUNE

	Group	
	2005 Rm	2004 Rm
Company's aggregate interest in the profits and losses after taxation of subsidiaries		
Profits after minority interests at subsidiary company level	393,3	648,2
Losses after minority interests at subsidiary company level	(36,6)	(5,6)
Investment in subsidiaries		
Unlisted – shares in owned subsidiaries	790,8	1 168,1
– shares in subsidiary in process of acquisition	0,5	0,3
Long-term borrowings by subsidiary companies	149,6	434,3
Short-term borrowing by a subsidiary company	164,3	–
	1 105,2	1 602,7
Share based payments capitalised	2,9	2,2
Total investment in subsidiaries	1 108,1	1 604,9
Short-term borrowings from subsidiary companies	(120,2)	(91,3)
Amount owing to subsidiary companies (included in payables)	(0,5)	(2,5)
Total interest in subsidiaries	987,4	1 511,1

PRINCIPAL SUBSIDIARY COMPANIES

Name of company and nature of business	Class	Issued permanent capital		Group effective percentage holding		Book value of Company's interest to/(by) the Company			
		2005 Rm	2004 Rm	2005 %	2004 %	Shares		2005 Rm	2004 Rm
Anglovaal Industries Investments (Pty) Limited									
- investment company	Ord.	-	-	100	100	-	-	-	310,3
AVI Financial Services (Pty) Limited									
- financial and management company	Ord.	-	-	100	100	-	-	164,3	(91,3)
Consol Limited									
- manufacturers and suppliers of glass packaging solutions and niche plastic packaging	Ord. "A" Redeemable prefs.		2,5	81		476,0			(2,5)
			0,7	81		-			
Denny Mushrooms (Pty) Limited									
- producer and marketer of mushrooms	Ord.	-		100		137,1		4,5	
Dyambu Investment Nominees (Pty) Limited									
- investment company	Ord. Cum. redeemable prefs.	-		100		1,5			
		-		100		48,2		(60,1)	
Irvin & Johnson Limited									
- international integrated fishing, processing and marketing of branded value-added fish and seafood products	Ord.		16,3		90		456,9		-
Irvin & Johnson Holding Company (Pty) Limited									
- international integrated fishing, processing and marketing of branded value-added fish and seafood products	Ord.	-		75		319,1		(0,5)	
Indigo Cosmetics (Pty) Limited									
- manufacturers, marketers and distributors of cosmetics, fragrances and toiletries	Ord.	-	-	100	100	-	-	124,0	124,0
National Brands Limited									
- manufacturers and marketers of branded consumer products	Ord.	3,5	3,5	100	100	227,1	227,1	-	-
Ntshonalanga Consortium Investment Nominees (Pty) Limited									
- investment company	Ord. Cum. redeemable prefs.	-		100		1,5			
		-		100		48,2		(60,1)	
The Real Beverage Company (Pty) Limited*									
- manufacturers and distributors of ready-to-drink beverages	Ord.	-	-	75	75	8,1	8,1	21,1	-
Vector Logistics (Pty) Limited									
- providers of a logistics service to third party clients in the food industry	Ord.		-		90		-		-
						790,8	1 168,1	193,2	340,5

*Indirectly held

The directors' valuation of each of the investments in subsidiary companies, all of which are unlisted, is not less than their respective carrying values.

PRINCIPAL INVESTMENTS

AT 30 JUNE

	Number of shares held Group		Group effective percentage holding	
	2005	2004	2005 %	2004 %
PRINCIPAL JOINT VENTURE				
Name of company and nature of business				
Joint venture				
– equity accounted				
Simplot Seafood, Snacks and Meals division <i>(unincorporated and operates in Australia)</i>				
– food processing, trading and distribution				
	–	–	40	36
<hr/>				
	Group			
	2005 Rm	2004 Rm		
Group carrying value of joint ventures				
Shares at cost	27,4	33,5		
Long-term loans	68,0	45,2		
	95,4	78,7		
Share of post-acquisition reserves	67,4	64,9		
Total carrying value	162,8	143,6		

SUMMARISED FINANCIAL INFORMATION IN RESPECT OF THE PRINCIPAL JOINT VENTURE

	Interest held by Irvin & Johnson Holdings (Pty) Limited ("I&J") %	Financial year-end	2005 Rm	2004 Rm
The financial statements of the following principal joint venture has been equity accounted in the consolidated financial statements:				
Simplot Seafood, Snacks and Meals division	40	31 August		
I&J's proportionate share of assets and liabilities was:				
Property, plant and equipment			40,1	34,1
Current assets			153,9	102,4
Non-current liabilities – non-interest bearing – Group companies			(13,5)	(11,7)
– Other			(20,3)	(17,6)
Current liabilities – Group companies			(9,5)	(7,0)
– Other			(41,5)	(10,2)
Share of net assets			109,2	90,0
I&J's proportionate share of revenue and expenditure was:				
Revenue			369,6	345,2
Expenditure			366,5	338,5
Profit before taxation			3,1	6,7
Taxation			–	–
Profit after taxation, reflected as share of equity accounted earnings of joint venture			3,1	6,7
I&J's proportionate share of the cash flow was:				
Cash generated by operating activities			18,9	1,8
Cash utilised in investing activities			(4,6)	(9,0)
Cash effects of long-term financing activities			(0,6)	–
Net increase/(decrease) in cash and cash equivalents			13,7	(7,2)

PRINCIPAL INVESTMENTS CONTINUED

AT 30 JUNE

	Number of shares held					
	Group		Company		Group effective percentage holding	
	2005	2004	2005	2004	2005 %	2004 %
PRINCIPAL OTHER INVESTMENTS						
Name of company and nature of business						
Other investments						
Main Street 198 (Pty) Limited – cumulative redeemable convertible "A" preference shares (Note 1)	100		100		100	
Richtrau No 53 (Pty) Limited – cumulative redeemable preference share (Note 1)	1		1		100	
Dyambu Investment Nominees (Pty) Limited (Note 2) – cumulative redeemable preference shares	–	100	–	100	–	100
Ntshonalanga Consortium Investment Nominees (Pty) Limited (Note 2) – cumulative redeemable preference shares	–	100	–	100	–	100
	Rm	Rm	Rm	Rm		
Other investments comprise:						
Preference share investments in the current year empowerment consortia, including dividends accrued (Note 1)	–		191,9			
Preference share investments in the prior year empowerment consortia, including dividends accrued (Note 2)	–	–	–	137,0		
Insurance cell captive fund – net money market investments (Note 3)	74,3	52,2	5,9	5,9		
Post-retirement medical aid contributions pre-funding investment policy	–	12,8	–	–		
Loan to purchaser of an associated company (Note 4)	13,5	12,3	–	–		
Other	2,0	1,2	–	–		
	89,8	78,5	197,8	142,9		

Notes:

- The black empowerment shareholding in I&J was restructured during the year. In terms of this restructuring the empowerment shareholding, which had decreased from 20% to 10% in the 2003 financial year as a consequence of a BEE partner's decision to exit, has been increased from 10% at 30 June 2004 to 25%. Of this shareholding, 20% is owned jointly by Mast Fishing Investment Holdings (Pty) Limited and Tresso Trading 946 (Pty) Limited, two broad-based empowerment organisations with strong commitment to the South African fishing industry and 5% has been transferred to a company owned by the black staff of the I&J group. AVI has subscribed for preference shares in Main Street 198 (Pty) Limited and Richtrau No 53 (Pty) Limited, the investment nominee companies owned by these empowerment investors to fund the acquisition of the I&J shares.
- The Company subscribed for these preference shares to provide funding to the original empowerment consortia to acquire an aggregate 10% interest in I&J. The total value of the subscriptions was R96,5 million in the prior year. The empowerment investment in I&J was restructured during the year which resulted in the Company acquiring these nominee companies effective 1 July 2004.
- Insurance cell captive fund**
The Group consolidates its attributable share of an insurance cell captive managed on behalf of the Group by Guardrisk Insurance Company Limited. The net assets reserved within the cell captive are to be utilised against insurance claims arising within the Group not covered by third party insurances.
- The loan is a capital amount of R17,0 million payable on 31 January 2008 which has been discounted to a present value.
- None of the investments are listed on a Stock Exchange.
- The directors' valuation of each of the unlisted investments is not less than their respective carrying values.
- A register disclosing full details of all companies in which the Group has investments is available for inspection by members or their duly authorised agents during business hours at the registered office of the Company.

SUPPLEMENTARY NOTES TO THE GROUP FINANCIAL STATEMENTS

1. TRANSITION TO IFRS

As stated in the accounting policies on page 61, these are the Group's first consolidated financial statements prepared in accordance with IFRS.

In preparing the opening IFRS balance sheet, the Group has adjusted amounts previously reported in financial statements prepared in accordance with its previous basis of accounting, SA GAAP. An explanation of how the transition from SA GAAP to IFRS has affected the Group's financial position and performance is set out in the following tables and the notes accompanying the tables. The adjustments arising from the adoption of IFRS did not have an effect on the cash flows of the Group.

Reconciliation of equity

	30 June 2004 Rm	1 July 2003 Rm
Equity previously reported under SA GAAP	3 555,3	3 464,0
Adjustment upon adoption of IFRS	31,0	33,5
Equity reported under IFRS*	3 586,3	3 497,5

*before adjusting for supplementary notes 2 and 3 below

	Notes 1.*	Increase/ (decrease) Rm	Increase/ (decrease) Rm
Equity adjustments			
Retained earnings	1 – 10	54,5	39,2
Share based payment reserve	5	2,3	0,5
Foreign currency translation reserve	2, 3	(25,0)	(5,7)
		31,8	34,0
Minority interests		(0,8)	(0,5)
		31,0	33,5
Assets and liabilities adjustments			
Property, plant and equipment	1, 2, 3	(14,7)	(10,7)
Goodwill	4	(5,6)	–
Trademarks	4, 7, 8	66,6	36,0
Post-retirement medical aid provision	9	(1,1)	(1,1)
Deferred taxation	6, 10	(14,2)	9,3
		31,0	33,5

Reconciliation of profit for the year ended 30 June 2004

	Notes 1.*	SA GAAP as previously reported Rm	Effect of transition to IFRS Rm	IFRS restated Rm
Revenue		7 028,4	–	7 028,4
Operating profit before capital items	1 – 5, 8	947,0	(3,7)	943,3
Net finance income	3	30,4	20,8	51,2
Share of equity accounted earnings of associates and joint ventures		3,8	–	3,8
Capital items	4	(21,4)	13,7	(7,7)
Profit before taxation		959,8	30,8	990,6
Taxation	6, 10	311,8	13,7	325,5
Profit for the year		648,0	17,1	665,1
Attributable to:				
Equity holders of AVI		567,0	15,3	582,3
Minority interests	11	81,0	1,8	82,8
		648,0	17,1	665,1

Notes supporting the above adjustments

1.1 Consistent with IFRS, the Group has depreciated idle assets. Previously, these assets were not depreciated upon removal from use until recommissioning or disposal. The effect was as follows:

	At 30 June 2004 Rm	For the year ended 30 June 2004 Rm	At 1 July 2003 Rm
Property, plant and equipment	(5,4)		(1,3)
Reserves (retained earnings) and minority interests	(5,4)		(1,3)
Operating profit decrease (depreciation)		(4,1)	

1.2 Consistent with IFRS, the Group has accounted for parts of its vessels as separate items in determining appropriate rates of depreciation, capitalisation of refurbishment costs and derecognition applicable to individual parts. The effect of this was as follows:

Property, plant and equipment	(5,4)	(10,7)
Reserves (retained earnings) and minority interests	(10,2)	(10,7)
Reserves (foreign currency translation reserve)	4,8	
Operating profit increase (depreciation)		0,5

	At 30 June 2004 Rm	For the year ended 30 June 2004 Rm	At 1 July 2003 Rm
--	-----------------------------	--	----------------------------

1.3 Under SA GAAP, certain entities in the Group were classified as integrated foreign operations and translated accordingly. In accordance with IFRS, these entities have now been classified as foreign operations and the translation differences have been taken directly to equity. In addition, in accordance with IFRS 1, the Group has deemed the cumulative translation differences for all foreign operations to be zero at the date of the transition to IFRS. The effect of this was as follows:

Property, plant and equipment	(3,9)		1,3
Reserves (retained earnings) and minority interests	30,0		10,7
Reserves (foreign currency translation reserve)	(33,9)		(9,4)
Operating profit (depreciation)		(1,5)	
Income from investments increase		20,8	

1.4 The Group has applied IFRS 3 to all business combinations that have occurred since 1 July 2003. Accordingly, the Group has revised the measurement of certain intangible assets to fair value at the date of the business combination in which assets were acquired. The revised measurement of intangible assets resulted in a reallocation of goodwill to trademarks. In addition, from 1 July 2003 goodwill is no longer amortised, but is tested annually for impairment. The effect of this was as follows:

Intangible assets (trademarks)	27,2		-
Intangible assets (goodwill)	(5,6)		-
Reserves (retained earnings) and minority interests	13,4		-
Capital items reduced charge (goodwill amortisation reversed)		13,7	-
Operating profit decrease (amortisation of trademarks)		(0,2)	-

1.5 In accordance with IFRS 1, the Group applied IFRS 2 to equity instruments granted to employees after 7 November 2002 but not vested at 1 January 2005. This included instruments granted by the Anglovaal Industries Limited Executive Share Incentive Scheme and the Anglovaal Industries Limited Equity Participation Plan. Previously the fair value of share-based payment transactions were not recognised in the financial statements. The effect of this was as follows:

Reserves (share-based payment reserve)	2,3		0,5
Reserves (retained earnings) and minority interests	(2,3)		(0,5)
Operating profit (employee costs)		(1,8)	

	At 30 June 2004 Rm	For the year ended 30 June 2004 Rm	At 1 July 2003 Rm
--	-----------------------------	--	----------------------------

1.6 Upon adoption of IFRS the Group has implemented the requirements of the interpretation statement AC501 – Accounting for Secondary Taxation on Companies whereby a deferred taxation asset is recognised on all unutilised STC credits held by the Group. The effect of this was as follows:

Deferred taxation asset	2,0		15,9
Reserves (retained earnings) and minority interests	(2,0)		(15,9)
Profit after taxation (taxation charge)		(13,9)	

1.7 Previously, certain trademarks acquired separately were written off in full against retained income in accordance with SA GAAP applicable at the time of acquisition. In accordance with IFRS, these intangible assets have been reinstated at the date of transition to IFRS. The effect was an increase in Group intangible assets and retained income at 1 July 2003 of R36,0 million. As the intangible assets in question are considered to have an indefinite useful life there is no effect on income.

1.8 Under SA GAAP, intangible assets acquired by the Group were stated at cost less accumulated amortisation and impairment losses. Amortisation was charged to the income statement on a straight line basis over the useful life of the intangible asset, but generally not exceeding 20 years. In accordance with IFRS, certain intangible assets have been assessed as having an indefinite useful life. These assets are not amortised, but are subject to annual impairment testing. The effect of this change was a decrease in amortisation of trademarks of R3,4 million for the year ended 30 June 2004.

1.9 In accordance with IFRS 1, the cumulative unrecognised actuarial losses existing at 1 July 2003 amounting to R1,1 million have been recognised directly against retained earnings for the Group's post-retirement medical aid benefit obligation (defined benefit plan).

	Note	30 June 2004 Rm	1 July 2003 Rm
1.10 The above changes increased/(decreased) the deferred tax liability as follows, based on the prior year normal South African tax rate of 30%.			
Property, plant and equipment	1, 2	(3,3)	(3,9)
Intangible assets	4, 7, 8	19,8	10,8
Provisions	9	(0,3)	(0,3)
		16,2	6,6

	At 30 June 2004 Rm	For the year ended 30 June 2004 Rm	At 1 July 2003 Rm
Affecting the following balances:			
Retained earnings	(6,4)		(6,6)
Foreign currency translation reserve	(1,8)		-
Intangible assets	(8,2)		-
Deferred taxation charge		(0,2)	

1.11 All the above changes affected minority interests as follows:

Retained earnings	4,9		3,1
Foreign currency translation reserve	(5,8)		(3,6)
Share based payment reserve	0,1		-
Profit for the year attributable to minority interests		1,8	

2. ADOPTION OF CIRCULAR 7/2005 – OPERATING LEASES

The Group has adopted the interpretation of IAS 17: Leases detailed in Circular 7/2005 – Operating leases, whereby the Group is obliged to apply the straight-line basis of accounting for all fixed escalation payments over the entire lease period. The adoption of the interpretation resulted in the recognition of a non-current liability of R16,2 million at 1 July 2003 representing the difference between lease payments made to date and the straight-line charges recognised in the income statement. The change in the liability at 30 June 2004 and 30 June 2005 was not significant and was not adjusted in the financial statements. The effect of the recognition of the interpretation was as follows:

Retained earnings	(11,3)	(11,3)
Deferred taxation	(4,7)	(4,7)
Non-current liabilities – provisions	16,2	16,2
Minority interests	(0,2)	(0,2)

3. CHANGE IN ACCOUNTING POLICY – ACCOUNTING RECOGNITION OF DISPOSAL OF SHARES IN SUBSIDIARY COMPANIES

In circumstances where shares in a subsidiary company are disposed of and serve as security for the funding of the proceeds receivable, the accounting recognition of the disposal of such shares in the consolidated financial statements is deferred until the funding subject to the security of the shares has been fully repaid.

Previously the disposal of shares in a subsidiary company was recognised from the effective date of the underlying agreements of sale. The change in accounting policy has had the following effect on previously reported results:

	At 30 June 2004 Rm	For the year ended 30 June 2004 Rm	At 1 July 2003 Rm
Retained earnings	(9,1)		(4,1)
Reserves	(6,1)		–
Minority interests	(121,8)		(123,2)
Investments	(137,0)		(127,3)
Income from investments reduction		(18,5)	
Profit attributable to minorities reduction		13,5	

ANALYSIS OF ORDINARY SHAREHOLDING

AS AT 30 JUNE 2005

	Number of shareholders	%	Number of shares	%
SHAREHOLDER SPREAD				
1 – 1 000 shares	2 656	38,26	1 544 209	0,49
1 000 – 10 000 shares	3 385	48,77	11 379 095	3,61
10 000 – 100 000 shares	623	8,98	19 524 355	6,19
100 001 – 1 000 000 shares	225	3,24	68 946 972	21,86
1 000 001 shares and over	52	0,75	213 991 829	67,85
	6 941	100,00	315 386 460	100,00

DISTRIBUTION OF SHAREHOLDERS

Banks	91	1,31	57 457 462	18,22
Close corporations	81	1,17	332 102	0,11
Endowment funds	62	0,89	2 020 179	0,64
Individuals	4 818	69,41	16 332 101	5,18
Insurance companies	57	0,82	8 167 744	2,59
Investment companies	30	0,43	48 323 277	15,32
Medical aid schemes	10	0,14	541 308	0,17
Mutual funds	149	2,15	74 138 384	23,51
Nominees and trusts	1 165	16,79	7 913 353	2,51
Other corporations	82	1,18	338 220	0,11
Pension funds	197	2,84	92 791 437	29,42
Private companies	182	2,62	2 753 707	0,87
Public companies	13	0,19	639 360	0,20
Share trusts	4	0,06	3 637 826	1,15
	6 941	100,00	315 386 460	100,00

PUBLIC/NON-PUBLIC SHAREHOLDERS

Non-public shareholders	11	0,16	5 341 335	1,69
Directors and associates of the Company	7	0,10	1 703 509	0,54
Share trusts	4	0,06	3 637 826	1,15
Public shareholders	6 930	99,84	310 045 125	98,31
	6 941	100,00	315 386 460	100,00

Details of the beneficial holders in excess of 5% of the ordinary shares are given in the directors' report on page 54.

SHAREHOLDERS' DIARY

FOR THE YEAR ENDED 30 JUNE 2005

REPORTS AND PROFIT STATEMENTS

2005

Half-year interim report announcement in press	Thursday, 10 March
Results announcement in press	Thursday, 8 September
Annual financial statements posted	Tuesday, 27 September

FINAL DIVIDEND ON ORDINARY SHARES

Dividend declared	Tuesday, 6 September
Details of dividend announcement on SENS	Wednesday, 7 September
Details of dividend announcement in press	Friday, 9 September
Last day to trade <i>cum</i> dividend on the JSE Limited ("JSE")	Friday, 14 October
First trading day <i>ex</i> dividend on the JSE	Monday, 17 October
Record date	Friday, 21 October
Payment date	Monday, 24 October

In accordance with the requirements of STRATE, no share certificates may be dematerialised or rematerialised between Monday, 17 October 2005 and Friday, 21 October 2005, both days inclusive.

Dividends in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders. Shareholders who hold dematerialised shares will have their accounts at their Central Securities Depository Participant ("CSDP") or broker credited on Monday, 24 October 2005.

ANNUAL GENERAL MEETING

Wednesday, 19 October at 11:30



AVI
LIMITED

sustainability report 2005

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AVI's Board has endorsed the concept of the existence of an implicit and necessary contract between business and society that encompasses economic, environmental and social issues.



ANGUS BAND
Chief executive officer

Sustainable and responsible business practices are implicit in the way the AVI Group operates and in our previous reports we have described our approach to sustainability management and reporting which we believe is an incremental process, with each report hopefully showing an improvement in the quality of the information presented and also reflecting the progress in dealing with more complex issues.

This is our second sustainability report, guided by the Global Reporting Initiative (GRI). This report outlines the issues we are addressing, and provides an indication of the challenges that lie ahead in integrating our philosophy on sustainability into the Group and any new businesses that we acquire.

This report covers the operations of the following AVI subsidiaries:



- National Brands Limited ("NBL")



- The Irvin & Johnson Group ("I&J")



- Denny Mushrooms (Pty) Limited ("Denny")



- Real Beverage Company (Pty) Limited ("RBC")



- Indigo Cosmetics (Pty) Limited ("Indigo")

(Note that the report excludes the operations of Consol Limited and Vector Logistics (Pty) Limited, which were unbundled and sold respectively, during the year under review. In addition, procedures for the management of sustainability issues are still being implemented at RBC. As a result consolidated sustainability statistics for RBC in the year under review are unavailable in many instances.)

We are confident that the process we have followed for this reporting cycle has resulted in a material improvement in the management and reporting of the non-financial risks and opportunities associated with our business.

We believe that the process will ensure that we are better informed to:

- Formulate appropriate policies relating to various sustainability and corporate responsibility issues;
- Determine which issues should be managed entirely by our operational subsidiaries and those where central Group direction is required;
- Understand which stakeholder groups we need to engage with more extensively and more regularly; and
- Identify common data formats for sustainability reporting across the Group.

There were a number of important events in the year under review which highlighted AVI's commitment to sustainability and there were some disappointments which demonstrate that there are still some real challenges ahead.

We are proud to share a few of the highlights below:

- I&J concluded a staff empowerment transaction which is discussed on page 125.
- I&J was adjudged Top Empowerment Company of the Year in the Food Processors & Producers sector in Impumelelo's Top Empowerment Awards, and was honoured as Marketer of the Year in the Proudly South African Homegrown Awards – acknowledging I&J's contribution to promoting innovation, employment, exports and consumer choice;
- In February 2005, NBL was honoured as Company of the Year and Employer of the Year in the Proudly South African Homegrown Awards – acknowledging that the Company visibly embodies the principles of the Proudly South African campaign, and demonstrating the Company's commitment to local content, quality, fair labour practices and environmental responsibility;
- NBL continued to demonstrate that it is an employer of choice, placing third in the manufacturing sector in the 2004 Deloitte and Touche 'Best Company to Work For' survey; and
- Denny's production facilities received HACCP accreditation, making them the first to receive this recognition in their industry.



CLIFF SAMPSON, Managing director of NBL

National Brands Limited – Proudly South African Company of the Year

On 19 February 2005 NBL won the Proudly South African Homegrown awards in the corporate category for Company of the Year. NBL is a founder member of the Proudly South African campaign and was the first member to display the Proudly South African logo on an FMCG product.

The Homegrown Company of the Year is awarded to a company that visibly embodies the principles of Proudly South African in its operations and activities, and can demonstrate a commitment to local content, quality, fair labour practice and environmental responsibility in its approach to business. NBL is committed to building the South African economy through the manufacture, marketing and distribution of leading Proudly South African consumer products.

We were disappointed at not being included in the 2005 JSE SRI Index. AVI supports this important initiative and we actively engaged with the JSE to get an understanding of the reasons for our exclusion. We will focus on the development issues to ensure that we stand a better chance of being included in the index in future.

This report outlines the major challenges that we face in sustainability management and reporting and makes commitments, which as a Group, we intend to follow through and to report positively on progress made in our next report.

A DECENTRALISED MODEL

AVI's operating philosophy is one of decentralisation and each subsidiary is accountable for its own performance but operates within prescribed mandates from the centre.

The role of AVI is to guide and co-ordinate sustainability practices across the Group by developing group policies where required, to monitor their implementation at Group company level and to report on the achievements and shortfalls to the Board and external stakeholders. The respective Group company boards are in turn responsible for identifying, implementing and managing sustainable practices as they relate to their own operations.

AVI has identified certain key issues in respect of which Group policies or guidelines have been set. These would include Board and Board committee charters, a Code of Ethics, an HIV/AIDS policy and BEE guidelines. These policies are in place, and it is intended that these and any future Group policy will be reviewed annually by the AVI Board.

ETHICS

AVI recognises that unethical behaviour by an employee or representative of the Group can do immense harm to the reputation and financial performance of the business. Since we operate in diverse markets and supply chains – within and beyond South Africa – it is important that all our operations, whatever the local circumstances, meet acceptable ethical standards.

To support adherence to ethical standards, the AVI Board approved a Code of Ethics in 2003 covering the following issues:

- Compliance with laws and regulations;
- Avoidance of conflicts of interest;
- Outside activities, employment and directorships;
- Relationships with clients, customers and suppliers;
- Acceptance of gifts, hospitality and favours;
- Personal investments and insider trading;
- Remuneration structures for employees;
- Company support for political parties;

- Use of company property;
- Proper use and maintenance of company records;
- Liaising with outside persons or organisations; and
- Privacy and confidentiality.

For each issue, AVI provides a clear directive on what we consider to be acceptable and appropriate behaviour. If there is any uncertainty as to whether a particular action conforms, we have consultative procedures to provide clarity on the situation.

All Group companies have embraced the AVI Code of Ethics and all their respective employees are expected to abide by these principles as a condition of employment. Employees are obliged to report any instances where bribes are offered. If employees suspect that a contravention of the Code has been committed by another employee of the Company they are required to report this for the purpose of receiving and following up such information. To this effect, a service offered by a leading auditing firm referred to as "Tip-Offs Anonymous" has been contractually engaged by AVI across the subsidiaries.



ENGAGING OUR STAKEHOLDERS

Our operations are intimately linked with third party stakeholders and we consider these to be groups with whom we have co-dependent relationships in the economic, social or environmental arenas. By proactively engaging our stakeholders in an open and transparent manner, we believe we can ensure the sustainability of our business and contribute to the sustainability of our stakeholders.

Relevant stakeholder engagement is entrenched within the operations of our Group. Each subsidiary coordinates its stakeholder engagement programme around issues of material interest to its operations. Some of the engagement mechanisms used include workshops, one-on-one meetings, feedback sessions, publications, site inspections and customer care lines. The table overleaf provides a summary of these types of interactions.

STAKEHOLDER ENGAGEMENT

STAKEHOLDER GROUP	TYPES OF ISSUES ON WHICH WE ENGAGE OUR STAKEHOLDERS
Employees	Wage and benefit levels; workplace safety; training; retrenchment; outsourcing; employment equity; employee benefits; and performance; HIV/AIDS.
Customers	Price and quality of goods; product safety; values in advertising; innovation; service levels; pack sizes; and inventory levels.
Investors/business partners	Group performance; corporate governance; strategy; directors' share dealings; share schemes; and issues of black economic empowerment.
The community	Local social issues; skills development; HIV/AIDS; community investment; and donations.
Government	The payment of taxes; fair transfer pricing policy; compliance with financial and other laws and regulations; BEE and transformation; skills development; and fishing quotas.
Regulating bodies	Certifications of product safety; resource management; and occupational safety; environmental management.
Non-governmental organisations	Social and environmental issues.

External stakeholder engagement remains an area for improvement in the Group. Group companies actively engage their respective stakeholders on a variety of issues, however there is currently a lack of a central oversight on the respective engagements to identify opportunities to improve the overall performance of the Group.

The table below presents a summary of some of the highlights from our stakeholder engagement initiatives throughout the Group companies in the year under review.

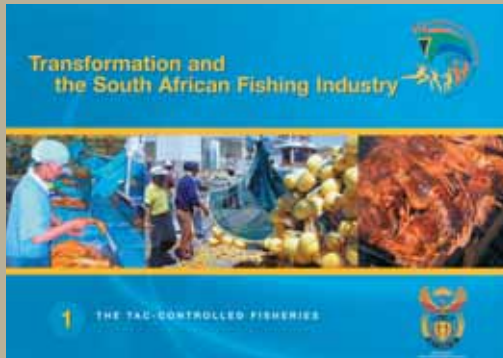
ENGAGEMENT HIGHLIGHTS

COMPANY	STAKEHOLDER GROUP	ISSUE
AVI	Investors, analysts	Our Investor Relations Department conducted extensive road shows with domestic and international investors to explain the rationale for the restructuring of the Group. Certain institutional shareholders were consulted to debate changes to the share incentive schemes arising from the unbundling of Consol.
NBL	Consumers	NBL conducted ongoing engagement with consumers around issues of product innovation. This engagement was in support of the company goal of providing innovative and cost-effective products to a broader segment of the South African market.
I&J	Government	Extensive engagement was undertaken with the Department of Environmental Affairs and Tourism ("DEAT") as a part of the process of application for long-term fishing rights.
Denny	Suppliers, government	Denny engaged with suppliers and the DEAT to ensure that the correct guidelines are followed for peat mining operations.
Indigo	Industry body	Indigo engaged with the Cosmetics, Toiletry and Fragrance association on product labelling.

In the next financial year we aim to:

- Complete a stakeholder map showing the nature and type of engagement with important stakeholders for each subsidiary;

- Develop and implement a more standardised stakeholder engagement reporting framework for subsidiaries.



I&J's engagement with DEAT on the allocation of long-term fishing licences

On 4 March 2005 the Department of Environmental Affairs and Tourism ("DEAT") published a draft set of policies for the allocation of long-term commercial fishing rights. This government driven process called upon all fishing industry stakeholders to participate in commenting on the guidelines.

The policies proposed allocating long-term fishing rights according to criteria such as transformation, investment, performance, value added to the industry, job creation, environmental factors and contributions to local fishing communities. In line with these criteria DEAT set aside 10% of the deep-sea trawled hake Total Allowable Catch ("TAC") for redistribution to SMEs.

I&J engaged extensively with DEAT and other licence holders in regard to the policy process. As part of its engagement process, I&J produced a full colour brochure in order to communicate to government officials and other stakeholders the leading role I&J has played in the fishing industry since 1910.

The policy engagement process allowed I&J to communicate its issues and concerns regarding the allocation of long-term fishing rights to government. The leadership role played by I&J in this engagement process has strengthened the company's relations with government and other key stakeholders.

DISTRIBUTING VALUE TO STAKEHOLDERS

The operations of AVI generate value through the procurement, processing, marketing and distribution of branded consumer products. The statement reflects how this value was distributed:

VALUE ADDED STATEMENT

	2005		2004	
	Rm	%	Rm	%
VALUE ADDED				
Turnover	6 585,3		7 028,4	
Cost of materials and services	4 213,7		4 147,8	
	2 371,6		2 880,6	
Capital items	297,2		(7,7)	
Value added by operations	2 668,8	98,5	2 872,9	97,8
Investment and other income	40,4	1,5	63,9	2,2
	2 709,2	100,0	2 936,8	100,0
VALUE DISTRIBUTED AND RETAINED				
Employees	1 404,1	51,8	1 491,9	50,8
Salaries, wages and other benefits				
Providers of capital	394,8	14,6	345,1	11,8
Payable to shareholders in respect of the amounts paid and declared for the year:	317,5	11,7	282,1	9,6
– Dividends	115,7	4,3	282,1	9,6
– Capital repayment	201,8	7,4	–	–
Interest paid	32,6	1,2	19,5	0,7
Operating lease expenses	44,7	1,7	43,5	1,5
Taxation	302,0	11,1	436,0	14,8
	2 100,9	77,5	2 273,0	77,4
Re-invested in the Group	608,3	22,5	663,8	22,6
Depreciation	290,3	10,7	320,1	10,9
Future growth	318,0	11,8	343,7	11,7
	2 709,2	100,0	2 936,8	100,0

COMMITMENT TO TRANSFORMATION

We are firmly committed to transformation and believe that meaningful participation by black people in the mainstream economy is essential to strengthening and sustaining South Africa's economic growth. Our approach to transformation encompasses the following key pillars:

- Equity and control;
- Preferential procurement;
- Skills development; and
- Community social investment.

Our approach to these topics is described in this and other relevant sections of this report.

TRANSFORMING OWNERSHIP AND CONTROL

AVI is supportive of the need for transformation through ownership and control of corporate assets. We do however consider it vital that any transaction produces tangible benefits for both the Black Economic Empowerment ("BEE") investor and the Company and is sustainable into the future.

Having completed an empowerment transaction at I&J we are in the process of considering various alternatives for transformation of ownership at the AVI level. We will report on developments in due course.

We constantly strive to broaden diversity within our executive structures, both at an AVI and subsidiary level. The status regarding executive and non-executive Board representation for major group companies is shown in the following table:

RACIAL COMPOSITION OF AVI GROUP BOARDS

	NUMBER OF DIRECTORS	INDEPENDENT NON-EXECUTIVE DIRECTORS	BLACK	WHITE	MALE	FEMALE
AVI	14	10	3	11	13	1
NBL	8	2	2	6	6	2
I&J	11	2	4	7	11	0
Indigo	12	0	0	12	9	3



I&J black empowerment

Over an extended period, AVI and I&J's strategy has been to transform the company, both in terms of ownership and employment equity. The focus has been on all elements that make transformation both broad and meaningful.

Effective 1 May 2005, some 1 250 permanent black staff became owners of a 5% shareholding in I&J's global operations, which we believe represents real broad based empowerment.

In the interests of ensuring sustainable and value-creating empowerment, AVI has donated 20% of the above shares to the staff and is providing funding for the balance of the shares.

In addition to the staff ownership scheme, two broad based empowerment groups with a strong commitment to the South African fishing industry have collectively acquired a 20% shareholding in I&J, which has also been funded by AVI.

Black non-executive directors sit on a number of Board committees including the Group's Audit and Corporate Governance and Appointments and Remuneration Committees.

TRANSFORMING PROCUREMENT

AVI recognises its role in enhancing equality and wealth creation through our influence in the national supply chain. This role extends to the three key aspects, which are preferential procurement, enterprise development and influencing transformation and good corporate citizenship throughout the supply chain.

Preferential procurement

Opportunities exist to transform South Africa's economy through BEE enterprise development and procurement

from SMMEs. These opportunities are fully endorsed by AVI and are encouraged throughout the Group.

Our respective Group companies have different constraints regarding procurement-related issues and we afford each the flexibility to work within its own operating constraints. These constraints include issues such as the need to:

- source a range of specialised production equipment from foreign suppliers; and
- procure specific global commodities, e.g. coffee beans, from foreign suppliers.

The table below provides a brief overview of some of the preferential procurement initiatives within our subsidiaries:

PREFERENTIAL PROCUREMENT INITIATIVES

COMPANY	POLICY
NBL	A defined procurement policy is in place at NBL with a target of 30% BEE procurement by 2008.
I&J	During 2004, an extensive audit of all of I&J's suppliers was completed. As at the end of 2004 more than 40% of the supply of goods and services came from black empowered vendors. A target of 50% has been set for 2006.
Denny	No formalised BEE procurement policy exists as there are a limited number of specialised suppliers to the mushroom industry. Where possible Denny aims to procure services from SMME and BEE companies.
Indigo	A BEE supplier inventory was compiled in 2004 and in addition buyers have been trained in BEE procurement. The current SAP system is being redeveloped to allow for centralised purchasing and the recording of BEE purchases in order to monitor BEE procurement activity.

I&J judged Top Empowerment Company

In April 2005, I&J was awarded Top Empowerment Company of the Year in the Food Processors & Producers sector for 2004/5 in the IMPUMELELO® Top Empowerment Awards (in partnership with the Department of Trade & Industry). Over 3 000 South African companies were researched by ten full-time researchers over an eight-month period. I&J competed against 45 other companies in the Food Processors & Producers Sector.

Enterprise development

In addition to BEE procurement, AVI values the role of enterprise development as an important way to enhance the number of economically active people in South Africa.

Since each of our subsidiaries is at a different stage in its organisational development, the extent to which they can effectively engage in enterprise development varies. NBL continues to seek opportunities to set up small businesses and in the past two years has helped establish five businesses to supply NBL with a range of services, including transport and contract cleaning services.

I&J are equally committed to developing and enhancing black empowered vendors and the case study of Moosa Transport documented below is a good case in point.



Enterprise Development I&J – Moosa's Enterprises

In the late 1970s, Essop Sulaiman Moosa, the owner of a small but thriving transport company, delivered a load of ice from I&J's harbour premises to the Company's Bellville facility. He completed the round trip three hours faster than I&J's own trucks, thereby initiating a business relationship with I&J that has grown and strengthened over the past 25 years.

Today the company's fleet has expanded to incorporate over 90 trucks, 30 semi-trailers and ten refrigerated trailers. Despite its phenomenal growth, Moosa's Enterprises ("Moosa's") still values the deep-rooted relationship that it has with I&J.

The close business relationship that has developed between I&J and Moosa's has been mutually beneficial and this type of initiative has contributed to I&J being recognised as the most empowered food company at the 2005 Impumelelo Top Empowerment awards.

Influencing the supply chain

This is a development area for AVI. Some of the challenges we face in addressing transformation and ethical issues in the supply chain include:

- The need to remain competitive by procuring goods cost effectively;
- The capacity to audit local and foreign suppliers across a range of BEE and ethical issues; and
- The complexities of enterprise development in the supply chain.

As part of our commitment to improving the role of subsidiaries in economic and ethical transformation, our challenge in the coming financial year is to:

- Develop a procurement policy applicable to the Group;
- Set procurement goals and targets for each subsidiary company where these do not already exist;
- Engage with our business partners with a view to improving practices across the supply chain; and
- Report against these targets and goals in our next sustainability report.

MARKETPLACE ISSUES

AVI is aware that its potential impact on society and the environment are not confined to its operations but also includes its products, and the manner in which these are branded, labelled, distributed and sold. Given the diverse nature of the products manufactured and sold by AVI Group companies, responsibility for managing this aspect of good corporate citizenship is devolved to the subsidiaries themselves and each manages these issues through their respective risk committees.

A critical issue across the AVI Group is health and safety relating to the products that we produce. In order to maintain the highest level of product safety, all our operational food and cosmetic plants are Hazard Analysis Critical Control Points compliant ("HACCP"). The HACCP system is used at all stages of food and cosmetic production and preparation, to ensure that they are of a high quality and fit for human consumption/use. In addition, our baking facilities at NBL operate to the standards of the American Institute of Baking. Both standards ensure that our products are manufactured to strict internationally-recognised quality standards. Recall systems are in place to make sure that serious consumer complaints can be traced to specific process batches and recalled if necessary. This recall system is tested twice annually and extends, in some cases, to retail level.

Product labels carry help-line numbers that consumers can call toll-free with their queries or complaints. Consumer feedback is logged onto a database and analysed for emerging trends. Product and category managers are responsible for ensuring that all consumer care issues are satisfactorily addressed.

AVI aims to provide consumers with products that are healthy and nutritious. I&J was the first fish processing company in South Africa to provide consumers with coated fish products that have been endorsed by the Heart Foundation.

As a Group, we ensure that our products are appropriately marketed and branded and that all our marketing complies with the South African Advertising Standards Authority's prescriptions and recommendations. Our brand managers focus on ensuring that our products reflect the changing diversity and gender balance of South Africa. All brands are marketed to ensure that no racial stereotyping occurs and that consumers are not misled regarding the health and/or nutritional benefits of our products.

Product innovation is another key driver for AVI, thus ensuring that our product offerings remain relevant to our consumer base. Details of innovation activities undertaken in the year under review can be found on pages 2 to 7 of the annual report.



Indigo Cosmetics – voluntary initiative

In line with EU Cosmetic Standards, Indigo Cosmetics will be voluntarily labelling all its cosmetic products with a full listing of ingredients, which is currently not required in South Africa.



I&J wins Proudly South African Marketer of the Year award

I&J was exceptionally pleased to receive the Marketer of the Year award at the Proudly South African Homegrown Awards in February 2005.

This year saw the first of PSA's Homegrown awards, a new initiative to celebrate the best Proudly South African companies and products and the people behind them. The awards showcased the diverse spectrum of South African companies, large and small, whose dynamism and innovation displayed a positive contribution to sustainable growth in South Africa.

Adjudicated by a representative panel of Proudly South African leaders from business, government, trade unions and the community, the competition attracted an impressive 368 submissions from 198 SMME companies and 25 corporates, spanning a wide range of industry sectors. Of a possible ten categories in the corporate grouping, I&J was honoured to win the Marketer of the Year Award.

"The Homegrown Awards was a unique opportunity for Proudly South African members to be recognised and profiled as Proudly South African achievers," said Martin Feinstein, Proudly South Africa's former CEO. "The Homegrown Awards were introduced to shine the spotlight on Proudly South African member companies who have made a real contribution to the promotion of South African innovation, employment, exports and consumer choice."

Our principal objective is to build a profitable, growing business which will ensure sustainable returns for our shareholders as well as provide the most employment security and development opportunities for our employees.

HUMAN RESOURCE MANAGEMENT

Our Group strives to ensure that employees are given the opportunity to develop to their full potential as we believe that this will enable us to create mutually beneficial relationships with employees, whereby the Group benefits from the output of empowered, motivated staff who are fully accountable.

The primary management of employee relations takes place at the subsidiary level and the different companies use a variety of human resource management systems in order to optimise employee relations, drive performance and optimise potential. Our policy is that the respective human resources departments should provide a supportive role, but it is up to the respective line managers to take responsibility for ensuring that we have productive and motivated employees.

We also respect the dignity of every individual and the need to promote and preserve our employees' self-esteem. To this end, recruitment, selection, appointments and promotion are based on individual potential and merit.

AVI recognises that in order to maintain and attract superior levels of human capital our remuneration policies must comply with best industry practice. Our remuneration philosophy and practice is discussed in the corporate governance statement on pages 17 and 18.

Across our subsidiaries, we also recognise employees' right to freedom of association and collective bargaining. Our subsidiaries operate in a highly unionised environment and are in regular dialogue with the unions with the objective of forging stronger working relationships.

We require that Group companies abide by the Labour Relations Act in terms of the processes required for outsourcing and retrenchments. This includes pre-retrenchment counselling, capacity building, and consultation as specified in the Act.

A number of Group companies undertake employee 'climate surveys' on an ad hoc basis in order to gauge how satisfied staff members are with their conditions of employment. These provide important feedback which management uses to strengthen employee relations.



National Brands Limited – Employer of the Year

NBL received the prestigious Proudly South African Employer of the Year award in the Corporate Division at a celebratory event opened by President Thabo Mbeki in Johannesburg on 19 February 2005.

The Homegrown Employer of the Year is awarded to a company that has undertaken successful initiatives to involve employees in understanding and supporting the Proudly South African campaign, and is effectively using the Proudly South African brand concept in its internal communication. NBL advocates that its employees must be Proudly South African themselves for the company to be such. It has therefore taken a proactive stance by introducing the Proudly South African campaign to its 2 200 employees through innovative communication, regular interaction and exciting activities that reinforce the importance of building the South African economy.

DEVELOPING AND TRANSFORMING OUR WORKFORCE THROUGH EMPLOYMENT EQUITY

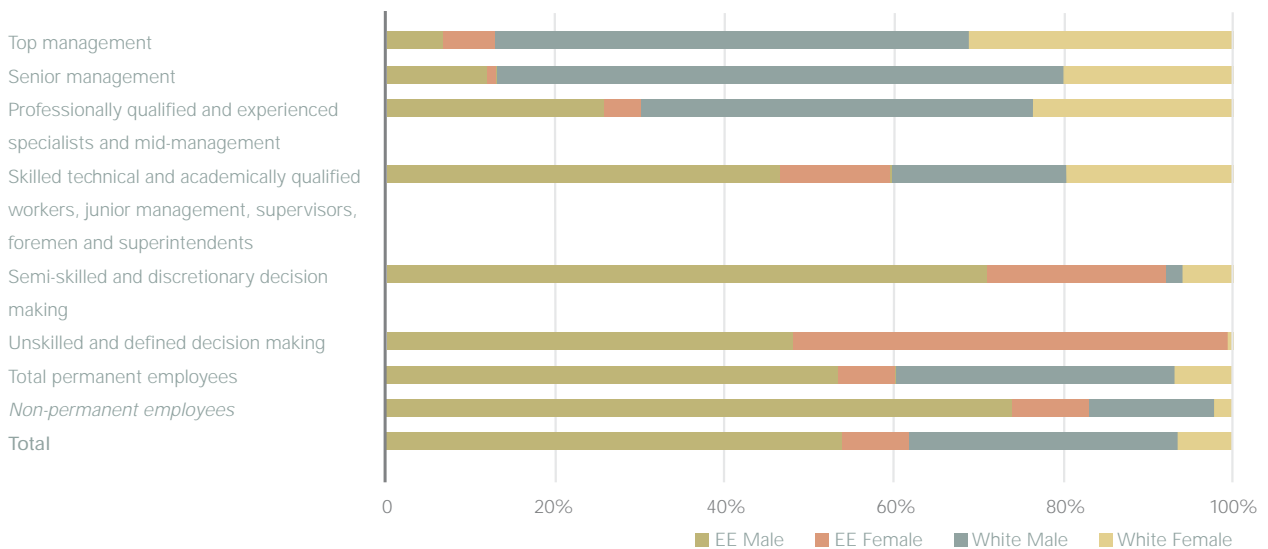
We aim to achieve greater workplace equity by:

- eliminating unfair discrimination, thus promoting equal opportunity and fair treatment of employees; and
- implementing employment equity measures to redress the disadvantages in employment experienced by designated groups, thus working towards their equitable representation in all occupational categories and levels in the workforce.

Our subsidiaries comply with the Employment Equity Act No 55 of 1998 in submitting annual statistics on employment equity related issues. Each subsidiary has targets which are captured in their annual workplace

skills plan that is submitted to the Department of Labour. A summary of the current employment equity statistics across the Group as at 30 March 2005 are summarised in the graph below.

EMPLOYMENT EQUITY STATISTICS



Employment equity committees exist at all our subsidiaries and they are involved in the process of 'people planning' on an annual basis. The equity committees play an important role in developing annual equity plans and targets for submission to the Department of Labour. In line with the employment equity policies at each subsidiary, new appointments must be signed off by the respective human resources director. In addition to the employment equity committees, subsidiaries also undertake employment equity training, addressing issues such as cultural diversity and gender awareness. We require that employment equity permeates the process of recruiting, induction, in-house training, succession planning, and internal communications. The employment equity plans and the progress are reviewed quarterly at Board meetings.

Group companies are in the process of developing their respective targets for 2009. This process will be completed in the next financial year and the results will be reported in the next sustainability report.

SKILLS DEVELOPMENT

AVI is committed to ensuring that the necessary resources are dedicated to skills development.

Skills development is the responsibility of the human resource managers in each of our subsidiary operations. The executive committee of each subsidiary approves all skills development plans and budget allocations and this ensures that skills development and training are closely managed as part of the functional process of business development.

Our subsidiaries take ownership of sector and company skills development through skills development committees. Typically these committees comprise representatives from shop stewards, the equity committee, finance, and operations managers. The committees are responsible for identifying skills requirements on an annual basis across a range of both functional and life-skills areas. Through this consultative process we develop work-skills plans for submission to the Department of Labour.

The table overleaf provides a summary of the percentage of staff trained per gender and equity group in the year under review. The table indicates that across AVI skills and development spend has been focussed on training non-white staff.

TRAINING OF STAFF BY RACE AND GENDER

	EE MALE	WHITE MALE	EE FEMALE	WHITE FEMALE	TOTAL
Percentage trained	76%	53%	68%	75%	68%

Our subsidiaries operate across a range of Sector Education and Training Authorities ("SETA"). These include the Food and Beverage SETA, Transport SETA and the Chemical Workers SETA. Over the past year, all subsidiaries have been able to recover their full skills-development levy, and in some cases received additional tax breaks due to work done in developing learnerships. On average, AVI subsidiaries spend 1,6% of their monthly payroll on skills development.

We have had real success in setting and developing learnerships, predominantly in the Food and Beverage SETA and Transport SETA. I&J, for example, is an accredited maritime training provider, having received recognition from the SA Maritime Safety Authority and the International Maritime Organisation's Convention Standards for Training Certification & Watch-keeping for Seafarers ("STCW").

Denny had success with its learnership programme, training 142 previously unemployed people in food packaging over the course of a year. In the new year, Denny hopes to run 25 learnerships at each of its sites.

Similarly, NBL is working closely with the Food and Beverage SETA to develop and register learnerships in the coming financial year.

As part of our ongoing commitment to enhance the management and reporting of skills development at AVI, we commit to doing the following in the coming financial year:

- Develop a standardised Group-wide system for capturing skills development related data; and
- Report per subsidiary on performance relative to their skills development plans submitted to the Department of Labour.



Skills development at National Brands Limited

NBL continuously reviews the capacity of its business and the capability of its people to meet its business strategy. The empowerment and development of its staff is considered a business priority which is viewed as a key driver to achieving growth through people. Each year NBL submits its skills plan to the FoodBev SETA and has, for the past four years, received a full refund of its skills levy following a successful audit by the SETA.

Some of the key development programmes undertaken include:

- *The Leadership Academy is a leadership development initiative that NBL embarked on two years ago for its executive, senior and middle management. The intervention is implemented as a series of leadership development modules which are strongly aligned to the company's business strategy. The programme is run in conjunction with the Gordon Institute of Business Science ("GIBS").*
- *The Growth Alignment Programme was introduced to transfer insights and learning from the Leadership Academy to NBL's junior management and supervisory level employees. The programme was designed as an action-learning intervention which exposed delegates to NBL's strategic drivers through an integrated learning programme. This programme was run internally.*
- *The Learnership Programme was started by NBL in 2004 at the company's biscuits factory in Isando, Johannesburg. The FoodBev SETA invited NBL to participate in a programme in first line manufacturing management. Five NBL employees and five unemployed persons were enrolled in the programme which has now been completed. Shortly after the first programme was completed, NBL undertook to continue and improve upon the programme without SETA funding and currently six NBL employees and four unemployed persons are involved in the programme.*

HEALTH AND SAFETY

The health and safety of all Group employees is a matter of sound business practice and moral commitment. Responsible corporate citizenship in respect of health and safety is about going beyond just legal compliance. Health and safety should in our view rank alongside issues such as quality, productivity and profitability in the decision-making process. From a risk and opportunity perspective, our health and safety practices:

- improve AVI's position in the labour market, making us more attractive to potential recruits as well as encouraging loyalty from existing employees;
- reduce the potential risk of losing our public credibility (with consequent profit loss and reduction in shareholder value); and
- give us the opportunity to build strong relations with our workforce and trade unions.



WATER SAFETY TRAINING AT I&J

Health and safety issues are addressed at a subsidiary level. Health and safety policies and procedures exist at all our operations. Typically our subsidiaries' health and safety policies and procedures address issues such as:

- Safety of employees;
- Protective clothing;
- Safe operation and handling of machinery;
- Safe transport and handling of material;
- Fire protection and emergency procedures;
- Smoking, alcohol and drugs; and
- HIV/AIDS education and management.

Each subsidiary has a risk management committee that meets on a monthly basis. Minutes from these meetings are provided to the relevant Audit and Corporate Governance committees and the minutes of these committees are reviewed by the AVI Group Audit and Corporate Governance Committee and reported to the Board.

Records of all incidents and injuries are kept and tracked over time against defined targets. Disabling Injury Incident Rate ("DIIR") targets are set on an annual basis. A summary of performance against these targets is provided below:

Company	DIIR target (%)	DIIR actual (%)
NBL	1,0	0,9
I&J	1,3	2,4
Denny	1,0	1,0
Indigo	1,0	1,0

Note: DIIR is based on the number of injuries requiring absences from work or lost-time incidents over a period of 200 000 worked hours.

A significant number of injuries sustained during the year were the result of negligence on the part of the affected employees. These incidences resulted in below target performance in some areas. AVI commits to continuously improving its facilities to create a safer working environment and to implement more worker education programmes to promote safer practices. The respective risk committees continuously monitor improvement in this respect with a view to ensuring that set targets are met. We will report on progress in this area in our next report.

Annual risk reviews incorporating health and safety, management, fire defence, security, emergency planning and environmental equipment are undertaken by external consultants. These audits are based on the NOSA system and the average scores across these subsidiaries are over 90%, well above the industry averages. These audits identify potential health and safety risks and the appropriate mitigating mechanisms.

The health and wellbeing of our staff is monitored on an ongoing basis by on-site medical clinics. These facilities ensure that the early diagnosis of occupational and other ailments is possible for all staff members.

Indigo Cosmetics – annual risk audit – continual improvement

The objective of the internal risk audit is to identify existing and potential risk exposures with the view to eliminating or reducing such exposures to acceptable levels. The audit is undertaken by independent consultants who make recommendations that aim to:

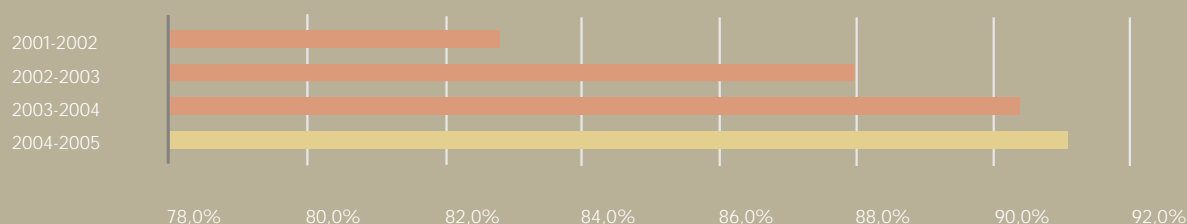
- Minimise the possibility of disasters and ensure that contingency plans are in place in order to recover from the consequences of a disaster as quickly as possible;
- Adapt to and comply with exposures arising from the changing legal, social and business environment;
- Ensure compliance with the National Building Regulations, insurance policy conditions, relevant

SABS Codes of Practice, etc. in order to avoid repudiation of insurance claims;

- Determine insurance cost incentives and penalties based on the loss history and risk control compliance performance of each operating company; and
- Substantially reduce the overall Cost-of-Risk in terms of insurance premiums, self-insured losses and risk control related matters/fees in the longer term.

By actively implementing the recommendations Indigo has managed to substantially reduce the risk profile of its site over the last four years. The increased compliance rating achieved on the site since 2001/2 is set out below.

Average site rating



HIV/AIDS

Our Group HIV/AIDS policy was developed in 2003 and implementation of the policy began in 2004. The AVI Board took direct responsibility for this policy development process and the implementation phase is now the responsibility of the respective subsidiary Boards.

The implementation of the HIV/AIDS policy comprises the following elements:

- Prevention and education;
- Creating a climate of acceptance;
- Voluntary testing;
- Counselling; and
- Medical assistance.

In our previous annual report, we reported on the potential impact of the evolving HIV/AIDS epidemic on the Group, as well as on the policies, strategies and programmes put in place to project, monitor, minimise and manage the impact of the epidemic on the Group.

Initiatives that were identified and reported on last year can be summarised as follows:

- The implementation of an AVI HIV/AIDS policy as a 'framework' for the development and implementation of organisation-level responses by the respective Group companies;
- An actuarial analysis and estimates of the current and potential future impact of the epidemic on the Group companies and their respective workforces; and
- The development and implementation of HIV/AIDS prevention and care programmes by the subsidiary companies.

During the year under review the focus was primarily on the latter, i.e. implementing and expanding the company and plant-level HIV/AIDS programmes.

The AVI Board has appointed an external consultant to monitor the implementation of the Company-level programmes and assist new acquisitions to become HIV/AIDS competent and comply with the overall AVI HIV/AIDS policy. It is also the intention to update the Group and Company-level actuarial projections on a regular basis.



HIV/AIDS TRAINING AT I&J

The HIV/AIDS programme is in various stages of implementation at all of the subsidiaries and as such it is not yet possible to provide consolidated Group statistics. It is therefore more appropriate to report on the level of implementation per company at this stage.

NBL

NBL has made good progress in implementing the first phase of its HIV programme, undertaking voluntary HIV testing at all South African sites. Approximately 88% of the staff participated in this testing process. In addition, the Company undertook a survey in order to identify areas in need of capacity building and training. A second phase of the project has been launched which involves Voluntary Counselling and Testing ("VCT"). Senior management have participated in order to demonstrate leadership and commitment. This is linked to a company-wide "know your status" programme. The VCT programme comprises peer-to-peer counselling, a wellness programme and regional HIV/AIDS workshops. The next step in the process will be to roll out VCT to the entire company.

I&J

I&J's proactive approach in managing HIV/AIDS manifests itself throughout the Company through an open, caring and compassionate environment for those employees who wish to educate themselves about HIV/AIDS-related matters, those who wish to find out their status and those colleagues who live with the disease. Over 900 staff at I&J's Cape Town trawling operation have attended special HIV/AIDS briefings and general information sessions. To demonstrate I&J's resolve, *Isibindi*, an organisation trained to guide and help manage AIDS in the workplace, was commissioned to manage the testing process using outside medical services and to ensure the testing process remains voluntary and anonymous. Specially designed programmes are available for employees with respect to prevention as well as to help extend the quality of life for those living with the disease.

Denny

Denny is still in the initial phases of the implementation of its HIV/AIDS programme. Currently the programme focus is on staff education.

Indigo

Indigo has begun the roll-out of its HIV/AIDS plan, with company-wide education and prevalence testing. The company distributes an AVI sponsored educational AIDS awareness newsletter called *Ekasi* amongst its employees and will continue with VCT in the coming year.

We are proud of our role in making tangible improvements in the quality of life of disadvantaged South Africans. Annually the Group allocates 1% of pre-tax profits to supporting corporate social investment (“CSI”) initiatives in South Africa.

CSI

In order to have maximum impact, our CSI projects are focussed within specific areas which our Board considers to be aligned with the needs of the communities in which we operate.

Our subsidiaries identify projects that are aligned with the needs of their stakeholders, core business operations and brands with the primary aim being to ensure that funds are effectively invested.

An overview of some of the leading CSI projects undertaken within the AVI Group is provided below:

AVI focussed on a limited number of projects that were aligned with issues of national concern. Our primary focus was on capacity building and transformation in education. We committed almost R1 million to four projects in the past year, each of which has received approximately three years of support, averaging R250 000 per year. The University of Pretoria project, which aims to increase black student enrolments for the teaching profession, has been a great success. In its first year the project enrolled 58 students from previously disadvantaged communities into its four-year teaching degree, and project funds are now reaching over 78 students. Since these students come from disadvantaged backgrounds, the programme focusses on loans for tuition and accommodation expenses and provides development support through a personal mentor.

NBL is predominantly focussed on the long-term and sustainable development of education in South Africa. NBL's policy is primarily to become involved in projects that offer significant development opportunities, and 75% of the available trust funds are applied for this purpose. The remaining 25% is used for welfare and relief funding where NBL works in partnership with community based organisations to share resources and expertise in dealing with HIV/AIDS. Prevention and care programmes, particularly those focussed on education, are of particular relevance, as are programmes that care for those affected by the consequences of the pandemic. Examples of projects supported over the past year include:



STAR SCHOOLS



RED CROSS CHILDREN'S HOSPITAL

- Star Schools is a school-level incubator programme offering additional Mathematics, Science and English education to previously disadvantaged learners. Learners attend extra classes on Saturdays and during the winter holidays.
- The St. Mary's Hospital community outreach volunteer programme caters to the needs of 15 historically disadvantaged semi-rural and township areas in the region between Durban and Pietermaritzburg. The programme has been in operation since 1998 and NBL has funded the project since 2003.

Since 2002, **I&J** will have spent over R18 million on a wide range of community projects. **I&J's** focus area is on poverty alleviation, with special focus on the wellbeing of children and their families. Emphasis is placed on the health, welfare and education of children and the health and welfare of the aged. Examples of projects supported over the past year include:

- The Red Cross Children's Hospital in Cape Town is Southern Africa's only dedicated children's hospital. I&J has enjoyed an ongoing relationship with the hospital since 1997. Funding, which is provided not only by I&J but also through staff fundraising, has been used to assist with a number of critically needed facilities. These included the building of a suite of 17 consultation rooms which form part of the Hospital's Emergency Services and Specialists Outpatients Wing.
- The TygerBear Social Work Unit for Traumatized Children project involved the rehabilitation and equipping of a building in Tygerberg Hospital's grounds and the TygerBear Training & Counselling Centre. The facility provides care for abused and traumatized children and their families and was opened in October 2002.



TYGERBEAR



Denny has been involved in a range of smaller housing, transport and welfare projects, typically located close to its operations and addressing issues that affect staff communities.

The focus of Indigo's CSI programme during the past three years has been women's issues, particularly abuse.

Indigo's financial support has gone towards constructing women's shelters and in addition a range of other smaller projects have been funded in the communities where its staff live.

AVI's continued support of development in South Africa will be enhanced by our commitment to:

- Ensure 1% of Group pre-tax profits are spent efficiently on CSI programmes; and
- Monitor project outcomes and ensure sound allocation and management of funding.

Bakers Mini Cricket



NBL has enjoyed a relationship with the United Cricket Board ("UCB") for the past 22 years in the sponsorship of the Bakers Mini Cricket programme. In November 2004, NBL confirmed its renewal of the sponsorship for a further three years to the value of R15,4 million. Bakers Mini Cricket has come a long way from its humble beginnings in 1982, and the continued dedication to Bakers Mini Cricket by NBL and the UCB has resulted in the programme touching the lives of thousands of children in all corners of South Africa. Previous Bakers Mini Cricket players, including Graeme Smith, Thami Tsolekile, Makhaya Ntini and Jacques Rudolph, have showed their support for the programme, which also receives top level support from UCBSA's Chief Executive Officer, Gerald Majola. The programme plays a substantial role in the overall development of cricket for South Africa's youth and NBL remains suitably proud of the vital contribution it has made to cricket development.

RESOURCE CONSUMPTION

AVI is committed to ensuring that our operations have minimal negative biophysical impact. We believe in going beyond legal compliance on environmental issues and seek to ensure that we operate with the smallest possible ecological impact. This guiding philosophy will not only secure our place in the future marketplace but enhance our economic viability due to long-term cost savings.

We are conscious that our subsidiaries:

- Consume non-renewable resources during the extraction, manufacture and distribution process;
- Extract resources directly from the environment for the manufacture of products;
- Consume commodities imported from around the world in manufacturing our products;
- Produce air emissions in the extraction, manufacture and distribution process;
- Produce liquid effluent in the manufacturing process; and
- Produce solid waste in the manufacturing process.

We endeavour to ensure that each of these activities is accounted for and managed in a way that minimises their potential negative impact.

Our consumption of non-renewable resources includes diesel, natural gas, heavy fuel oil and indirectly, coal through our electricity consumption. We are aware that the consumption of non-renewable resources contributes to global warming and as a result are constantly seeking alternative sources of energy. We are currently reviewing the use of natural gas as a potential cleaner energy source in our baking facilities.

I&J is the only member of the AVI Group that is directly involved in the extraction of natural resources and is cognisant of the potential impact associated with unmanaged extraction of a living resource from the marine eco-system. To mitigate any potential negative impacts, I&J has been at the forefront of driving the sustainability certification process of the South African hake fishery. These efforts led to the South African hake fishery being certified by the Marine Stewardship Council in 2004. The certification was awarded to the South African Deep Sea Trawling Association, of which

I&J is a prominent member. South Africa's Hake Trawl Industry now joins an elite group of eight other fisheries worldwide and is the first hake fishery to be certified. The certification is audited annually and involves members of the Fisheries Department and Marine and Coastal Management.



The Marine Stewardship Council ("MSC") accreditation labelling programme aims to promote sustainable fisheries. The MSC has defined sustainable marine fisheries as those that ensure that the catch of marine resources are at a level compatible with long-term sustainable yield, while maintaining the marine environment's bio-diversity, productivity and ecological processes, taking into account the following:

- *Relevant laws;*
- *Ecological sustainability and ecosystem integrity;*
- *Responsible and effective management systems;*
- *Benefits from the fishery; and*
- *Social considerations.*

As part of the MSC certification process, I&J's management systems were audited and the Company was awarded the MSC Chain of Custody certificate. The Chain of Custody certificate allows I&J to use the MSC logo on its packaging, thereby verifying the product originated in the certified fishery.

Water is a scarce resource in South Africa and our subsidiaries take care to ensure that water is used wisely. Our subsidiaries are constantly looking at ways that will increase the efficient use of water and at the same time raised awareness amongst staff about wise water use.



Water Savings at I&J Woodstock

Figures in 2002 indicated that the South African fishing industry used 20 kilolitres of water for each tonne of fish processed, compared to the Danish fishing industry where the ratio is 1,5 kilolitres of water per tonne of fish processed. Technicians from I&J's Woodstock plant travelled to Denmark to study the techniques and processes used by their Danish counterparts. The knowledge they brought back has now been fully introduced at I&J, resulting in a 40% reduction in water use in the current year. This newly gained knowledge is now also being implemented in I&J's Argentine processing operation.

In order to educate employees, I&J embarked on an extensive awareness and education process. It initiated a programme called 'Enviro-Watch' to influence the responsible usage of water through visual aids, direct intervention, animated posters and photographic displays.

As indicated previously, we are investigating the introduction of an ethical purchasing policy that will address issues such as human rights, biodiversity, genetically modified foods, pesticide use and fair trade.

Our subsidiaries comply with the relevant legislation as it pertains to emissions, effluent and solid waste

management. Wherever possible, we recycle and have realised several business opportunities through our waste recycling programs, for example, fish waste is processed into fish meal, waste from abalone farming, mushroom farming and coffee processing is used for high quality fertiliser and waste from potato chip manufacture is used for pig feed. The benefit of this is that marine and land ecosystems are not further polluted and our businesses realise additional profit from processing waste streams that would otherwise cost money to eliminate.

We aim in the following financial year to develop a deeper understanding of our resource consumption patterns. In regards to this we will develop a standardised Group-wide reporting format on relevant non-renewable resource consumption.



Peat usage at Denny Mushrooms

Like all Agaricus mushroom growers, Denny uses peat as a casing layer on which to grow its mushrooms. As peat is sourced from wetlands, the guidelines for its extraction are strictly defined by the Department of Water Affairs and Forestry ("DWAFF") and the Department of Environmental Affairs and Tourism ("DEAT"). Being one of the major consumers of peat, Denny ensures that its peat suppliers adhere to the DWAFF and DEAT guidelines for extracting this resource. In addition Denny, in conjunction with the Department of Trade and Industry and the South African Mushroom Farmers Association, is currently co-funding research into alternatives for casing materials.

ENVIRONMENTAL MANAGEMENT

The responsibility for developing and implementing environmental policy falls to each subsidiary. Subsidiary risk committees are tasked with ensuring that environmental issues are accounted for, and these committees report directly to the AVI Audit and Corporate Governance Committee, which is formally mandated by the Board to manage environmental risk, on a quarterly basis. Regular internal health, safety and environment meetings occur at a 'shop-floor' level at each operation, which ensures that environmental issues associated with our operations are reported directly to management and, when necessary, to the relevant authorities.

Our generic approach to environmental management at all operations covers the following:

- Impact assessments of all new developments and operations;
- Environmental management systems, comprising policies, standard operating procedures and reporting systems;
- Internal and external environmental audits; and
- Environmental training and awareness programmes.

Our larger subsidiaries cover all these generic elements, while some of our smaller subsidiaries are still in the process of developing them. We have instituted ISO 14001 management systems at the Westmead Biscuit Factory, while the other four NBL plants are currently working towards ISO certification. Both I&J and Indigo have formalised environmental management systems that are audited on an annual basis as a part of the Group risk audits. Denny has a management system in place that addresses environmental issues.

As part of our commitment to continual improvement in the field of environmental management, AVI commits to developing the following:

- Developing a Group-wide environmental management policy;

- A standardised environmental reporting format for all subsidiaries, covering issues such as
 - Environmental training;
 - Waste management;
 - Effluent and emissions; and
 - Legal non-compliances and fines.

CONCLUSION

The 2005 financial year has seen solid progress in both the management of and reporting on sustainability issues. The focus for the 2006 year will be to deliver on the commitments made in this report and bring our newer operations up to a acceptable standard of compliance.

ADMINISTRATION

Company registration

AVI Limited ("AVI")
 Reg no: 1944/017201/06
 Share code: AVI
 ISIN: ZAE000049433

Chief information officer

Peter Jordi

**Company secretary/
 Corporate services manager**
 Vusani Malie

Group financial manager

James Taylor

Group internal audit manager

Pieter Vertue

Group investor relations officer

Sam Denoon-Stevens

Business address and registered office

19 Impala Road
 Chislehurst
 Sandton 2196
 South Africa

Postal address

PO Box 1897
 Saxonwold 2132
 South Africa

Telephone: +27 11 779 2700

Telefax: +27 11 884 2334

e-mail: info@avi.co.za

Website: www.avi.co.za

Auditors

KPMG Inc.

Sponsor

Standard Bank

Commercial bankers

Standard Bank

Transfer secretaries

Computershare Investor Services
 2004 (Pty) Limited

Business address

70 Marshall Street
 Marshalltown
 Johannesburg 2001
 South Africa

Postal address

PO Box 61051
 Marshalltown 2107
 South Africa

Telephone: +27 11 370 5000

Telefax: +27 11 370 5271

PRINCIPAL SUBSIDIARIES

FOOD BRANDS

National Brands Limited

Reg no: 1948/029389/06

30 Sloane Street

Bryanston 2021

PO Box 5159

Rivonia 2128

Managing director

Cliff Sampson

Telephone: +27 11 707 7000

Telefax: +27 11 707 7803

Irvin & Johnson Holding Company (Pty) Limited

Reg no: 2004/013127/07

70 Prestwich Street

Cape Town 8001

PO Box 1628

Cape Town 8000

Managing director

Roy Gordon

Telephone: +27 21 402 9200

Telefax: +27 21 402 9282

Denny Mushrooms (Pty) Limited

Reg no: 1998/003042/07

101 MacGillivray Road

Glenferness
 Kyalami 1684

PO Box 787166

Sandton City 2146

Managing director

Roddy Cairns

Telephone: +27 11 700 8400

Telefax: +27 11 465 1815

The Real Beverage Company (Pty) Limited

Reg no: 1999/011555/07

5 Industrial Road
 Kya Sands 2163

PO Box 134

Kya Sands 2163

Managing director

Bridget Fitschen

Telephone: +27 11 462 8242

Telefax: +27 11 462 9192

SEMI-DURABLE BRANDS

Indigo Cosmetics (Pty) Limited

Reg no: 2003/009934/07

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Epping 1 7460

PO Box 3460

Cape Town 8000

Managing director

Robert Lunt

Telephone: +27 21 507 8500

Telefax: +27 21 507 8501

A&D Spitz (Pty) Limited

Reg no: 1962/03175/07

First Floor North Block

Fountain Grove
 5 Second Road
 Hyde Park 2146

PO Box 782916

Sandton 2145

Managing director

Leonard Buhler

Telephone: +27 11 447 0497

Telefax: +27 11 447 0477



AVI LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1944/017201/06)
JSE Code: AVI • ISIN: ZAE000049433
("AVI" or "the Company")

NOTICE OF ANNUAL GENERAL MEETING

AND INCORPORATING A FORM OF PROXY FOR THE USE OF HOLDERS OF CERTIFICATED ORDINARY SHARES AND DEMATERIALISED ORDINARY SHARES WITH "OWN NAME" REGISTRATION ONLY.

Notice is hereby given that the sixty-first annual general meeting of ordinary shareholders of the Company will be held at 19 Impala Road, Chislehurst, Sandton on Wednesday, 19 October 2005 at 11:30 for the following purposes:

1. To consider the annual financial statements for the year ended 30 June 2005, together with the reports of the directors and auditors.
2. To re-appoint KPMG Inc. as the auditors of the Company.
3. To elect a director in place of Mr AWB Band who will retire by rotation in accordance with the Company's articles of association. Mr Band is available for re-election.*
4. To elect a director in place of Mr SL Crutchley who will retire by rotation in accordance with the Company's articles of association. Mr Crutchley is available for re-election.*
5. To elect a director in place of Mr AR Evans who will retire in accordance with the Company's articles of association. Mr Evans is available for re-election.*
6. To elect a director in place of Mr JR Hersov who will retire in accordance with the Company's articles of association. Mr Hersov is available for re-election.*
7. To consider and, if deemed fit, to pass without modification, the following special resolution.

*Brief CVs of the directors appear on pages 13 and 14.

SPECIAL RESOLUTION NUMBER 1

To resolve that: "the Company or any of its subsidiaries be and are hereby authorised, by way of a general approval, to

acquire ordinary shares issued by the Company, in terms of Sections 85(2) and (3) and Section 89, respectively, of the Companies Act No. 61 of 1973, as amended, and in terms of the rules and requirements of the JSE Limited ("the JSE"), namely that:

- any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement;
- this general authority shall be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution number 1;
- acquisitions of shares in aggregate in any one financial year may not exceed 20% of the Company's ordinary issued share capital as at the date of passing of this special resolution number 1;
- in determining the price at which ordinary shares issued by the Company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% of the weighted average of the market value at which such ordinary shares are traded on the JSE as determined over the five business days immediately preceding the date of repurchase of such ordinary shares by the Company or any of its subsidiaries;
- at any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf;
- the Company's sponsor must confirm the adequacy of the Company's working capital for purposes of

undertaking the repurchase of shares in writing to the JSE before entering the market to proceed with the repurchase;

- the Company must remain in compliance with the minimum shareholder spread requirements of the Listings Requirements of the JSE; and
- the Company and/or its subsidiaries may not repurchase any shares during a prohibited period as defined by the Listings Requirements of the JSE.

Before entering the market to effect the general repurchase, the directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the foregoing general authority, will ensure that for a period of 12 (twelve) months after the date of the notice of Annual General Meeting:

- the Company and the Group will be able, in the ordinary course of business, to pay its debts;
- the assets of the Company and the Group, fairly valued in accordance with generally accepted accounting practice, will exceed the liabilities of the Company and the Group;
- the Company and the Group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

The directors have no specific intention, at present, for the Company to repurchase any of its shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year which is in the best interests of the Company and its shareholders.

The reason for and effect of the special resolution is to grant the directors of the Company a general authority in terms of the Companies Act and the Listings Requirements of the JSE for the repurchase by the Company, or a subsidiary of the Company, of the Company's shares.

8. To transact such other business as may be transacted at an annual general meeting.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of the general authority:

- Directors and management – pages 13, 14 and 140;
- Major beneficial shareholders – page 54;

- Directors' interests in ordinary shares – page 51; and
- Share capital of the Company – pages 80 and 81.

LITIGATION STATEMENT

In terms of section 11.26 of the Listings Requirements of the JSE, the directors, whose names appear on pages 13 and 14 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on the Group's financial position

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names appear on pages 13 and 14 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by law and the Listings Requirements of the JSE.

MATERIAL CHANGES

Other than the facts and developments reported on in the annual report which this notice accompanies, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the annual report and up to the date of this notice.

By order of the Board



VF Malie
Company secretary

Chislehurst, Sandton
27 September 2005



AVI LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1944/017201/06)
JSE Code: AVI • ISIN: ZAE000049433
("AVI" or "the Company")

For use only by AVI shareholders holding certificated shares, nominee companies of Central Securities Depository Participants ("CSDP"), brokers' nominee companies and shareholders who have dematerialised their shares and who have elected own-name registration at the annual general meeting of the shareholders of AVI Limited, to be held at 19 Impala Road, Chislehurst, 2196 at 11:30 on Wednesday, 19 October 2005.

AVI shareholders who have already dematerialised their shares through a CSDP or broker must not complete this form of proxy and must provide their CSDP or broker with their voting instructions, except for shareholders who have dematerialised their shares and have elected own-name registration in the sub-register through a CSDP, which shareholders must complete this form of proxy and lodge it with the transfer secretaries of the Company, Computershare Investor Services 2004 (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001. Holders of dematerialised shares, other than those with "own name" registration wishing to attend the annual general meeting must inform their CSDP or broker of such intention and request their CSDP or broker to issue them with the necessary authorisation to attend.

I/We _____

Of (address) _____

being the holder/s or custodians of ordinary shares in the Company, do hereby appoint:

1. _____ or failing him/her, _____
2. _____ or failing him/her, _____
3. the chairman of the general meeting,

as my/our proxy to act for me/us at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote on such resolutions in respect of the ordinary shares in the issued capital of the Company registered in my/our name/s in accordance with the following instructions (see note 2):

	Number of votes (one vote per share)		
	In favour of	Against	Abstain
To consider the financial statements for the year ended 30 June 2005			
To reappoint KPMG Inc as auditors			
To re-elect Mr AWB Band as a director			
To re-elect Mr SL Crutchley as a director			
To re-elect Mr AR Evans as a director			
To re-elect Mr JR Hersov as a director			
Special resolution number 1 (authority to buy back shares)			

Insert an "X" in the relevant space above according to how you wish your votes to be cast, however, if you wish to cast your votes in respect of less than all of the shares that you own in the Company, insert the number of ordinary shares held in respect of which you desire to vote.

Signed at _____ on _____ 2005

Signature _____

Assisted by me (where applicable) _____

Each member is entitled to appoint one or more proxies (none of whom need be a member of the Company) to attend, speak and, on a poll, vote in place of that member at the general meeting.

Please read the notes on the reverse side hereof.

NOTES TO THE FORM OF PROXY

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting " the chairman of the annual general meeting" ; but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of ordinary shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.
3. Forms of proxy must be received at the office of the transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 or PO Box 61051, Marshalltown 2107 by not later than 11:30 on Tuesday, 18 October 2005.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretaries or waived by the chairman of the annual general meeting.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the Company.
8. The chairman of the annual general meeting may reject or accept a form of proxy which is completed and/or received other than in accordance with these notes if he is satisfied as to the manner in which the shareholder wishes to vote.